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The Environmental Impact of Trade Liberalisation and Economic Growth in Nigeria: An Empirical Analysis

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Abstract

This research work investigates the impact of trade liberalization on the environment in Nigeria. The research work is analytical in nature employed econometric tools using e-view statistical package for the analysis. The analyses revealed that there is a positive significant relationship between trade liberalization and the environment. And thus, have significant effect on economic growth of the Nigerian economy. Trade liberalization should be accompanied by government investments in education, skills, research and development so as to equip people to take advantage of new employment opportunities mostly human development which is a development paradigm that is about much more than the rise or fall of national incomes, and to crate adequate safety nets to protect the environment during the period of trade liberalization.

Key words: trade liberalization, economic growth, environent

J.E.L. classification: F18; O44; C10

1. Introduction

Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for generations to come. Economic growth, as conventionally measured, might be more rapid if such environmental pollution were not inhibited by regulations and other policies. Trade openness has beneficial effects on productivity, the adoption and use of better technology and investment promotion, which are channels for stimulating economic growth. This period ushered in the

Millennium Development Goals (MDGs) declared by the United Nations which among other broad objectives was to address the problem of poverty in a broad sweep that targets the index of poverty itself. The broad objectives of the MDGs include the following

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV, malaria and other diseases;
- Ensure environmental sustainability; and
- Develop a global partnership for development. (HDR, 2010)

This research work emphasizes goals seven and eight in the millennium development goals. The new dynamics of trade have increasingly created global and unfettered markets for trade and investment, which have significantly increased the destructive impact of economic activities upon the Earth. These dynamics exhaust the world's natural resources endowment and ecological carrying capacity at such a deleterious rate as they jeopardize the planet's ability to support future generations. However, Africa happens to be a dumping ground for old technologies, there is every reason to believe that trade liberalizations effect on the environment is disastrous. Trade liberalization driven by macro-economic policies and economic reforms may have environmental impacts, both negative as well as positive. Hence, a clear analysis of these effects is needed (UNEP, 1999). The main objective of this study is to examine the environmental impact of trade liberalization

in Nigeria and thereby make policy recommendations based on the findings of the study. The remaining part of this paper is divided into four sections. Section II presents literature review, Section III provides the methodological issues while Section IV analyses the results. The last section is concluding remarks.

2. Literature Review and Theoretical Framework

2.1 Literature Review

The role of trade liberalization in the growth process has been explored substantially in the literature. In some economies, trade has been instituted to perform the role of a growth engine, especially via high real productivity of the export and import sector (Tsigas, 2004).

According to Lucy (1997), many African countries urgently need to expand international trade to allow their economies grow and develop. Rising export earnings make adjustment less painful, lighten debt burdens and support higher growth rates by increasing import capacity. Growth of exports and imports also increase access to the benefits of international trade, including new ideas, modern technology, competition, economies of scale and the creation of domestic industries around new markets. Trade liberalization otherwise known as free trade has been considered highly relevant for economic development because it maximizes the output of social product. A counter argument about trade liberalization contends that the benefits of trade liberalization can only be achieved under conditions of full employment, full allocation of resources and free competition in the economy (Feridun et al; 2006).

However, much environmental damage is due to the increased scale of global economic activities (Damania, 2003). International trade constitutes a growing portion of that growing scale, making it increasingly important as a driver of environmental change. As economic globalization proceeds and the global nature of many environmental problems becomes more evident, there is bound to be friction between the multilateral systems of law governing both (Fuller et al, 2003). Trade

liberalization is of itself neither necessarily good nor bad for the environment. Its effects on the environment in fact depend on the extent to which the environment and trade goals can be made complementary and trade goals can be made complementary and mutually supportive. A positive outcome requires appropriate supporting economic and environmental policies. At the most basic level, trade and the environment are related because all economic activity is based on the environment. It is the basis for all basic inputs (metals and minerals, forests and fisheries) and for the energy needed to process them. It also receives the waste products of economic activity. Trade, in turn, is affected by environmental concerns, since exporters must respond to market demands for greener goods. (Demise, 2000)

2.2 Theoretical Framework

The Neoclassical factor endowment model known as the Heckscher-Ohlin theory of trade postulates that trade arises because of the differences in labour productivity-which they assume to be fixed-for different countries. According to this theory, the basis for trade arises not because of inherent technological differences in labour productivity for different commodities between different countries but because countries are endowed with different factor supplies. Given relative factor endowments, factor prices will differ (for instance, labour will be relatively cheap in labour-abundant countries) and so too will domestic commodity price ratios and factor combinations. The above theory therefore explains why resource-abundant (for instance, labour-abundant) LDCs are into the production and export of labour-intensive commodities in return for imports return for imports of capital-intensive goods because of their relative cost and price advantage enhanced by international specialization. Trade therefore serves as an engine for a nation to capitalize on its abundant resources through more intensive production. What this theory suggests is nothing short of free trade which was equally elicited in the Heckscher-Ohlin-Samelson (H-O-S) model which is a development of the H-O principle. (Feridun et al; 2006). The HOS model shows how an increase in the price of a commodity can

raise the income of the factors of production used most intensively in producing it. Samueson's factor price equalization theorem postulates the conditions under which free trade in commodities narrows differences in commodity prices between countries, and in doing so the incomes of the factors of production are also brought in line. In other words, free trade offers a substitute for the free mobility of factors of production. Based on H-O-S model, free mobility of factors can lead to national resources movement from places of excess to place of relative scarcity, and the movement of environment degrading industries from their home countries to developing countries where environmental regulation is a matter of formality. (The Pollution-Haven Hypothesis)

Antweiler et al., (2001) made a much clearer extrapolation of the original H-O model of trade. They decomposed the full impact of openness of trade liberalization on environment into composition, scale and technique effects. Their approach involves both mathematical and geometrical illustrations, in their geometrical exposition, they derived the condition under which trade liberalization for a dirty good leads to less pollution, if the technique effects (which for them is always beneficial to the environment) can overwhelm the combined scale and composition effects (which for them are always harmful to the environment). In this model, trade liberalization (or reduction in trade barriers) produces the free trade-induced effects which interact to determine the environmental effects of trade. When there is a decline in trade barriers, the H-O-S model that prices are brought in line due to reduction in barriers applies.

3. Research Methodology

3.1 Model Specification

In order to establish the relationship between the variables utilized in this research, a model similar to the one used by Antweiler *et al* (2001) will be utilized. The main argument is to investigate the functional relationship between trade liberalization and environmental degradation.

$$ENV\text{DG}_t = \alpha + \theta(\text{EXP}_t + \text{IMP}_t)/\text{GDP}_t + \psi(K_t/L_t) + \Phi(\text{RGDP}_t/K) + \lambda(\text{RGNP}_t) + \mu_t$$

Where; $ENV\text{DG}_t$ = Environmental degradation

EXP_t = Export in year t

IMP_t = Import in year t

GDP_t = Gross Domestic Product in year t

K_t = Fixed Capital Formation in year t

L_t = Product of total labour force and the deflated average minimum wage for all sectors

RGDP_t = Real GDP per kilometer (real GDP/km²)

RGNP_t = Real Gross National Product

Environmental Degradation ($ENV\text{DG}_t$):

This is the level of deforestation in hectares/years. This is measured by deforestation figures (hr/yr).

Trade Intensity ($(\text{EXP}_t + \text{IMP}_t)/\text{GDP}_t$):

Trade intensity is considered to be the addition of import and export figures divided by the gross domestic product in year t.

Composition Effect (K_t/L_t): This is arrived at by dividing capital by labour figures in year t, where the capital is measured as the fixed capital formation and labour is derived as the product of total labour force and the deflated average minimum wage for all sectors of Nigerian economy.

Scale of Economy Activity (RGDP_t/K):

Economic activity is measured in terms of real gross domestic product per square kilometer. It is believed that the total income gained due to trade may be disfigured by population figures that may not be reliable.

Technique Effect (GGDP): This variable is measured by the real gross national product (real GNP) proxy by growth rate of GDP.

Thus, the above model was adapted to form three set of models;

$$\text{Model 1: } ENV\text{DG} = \lambda_0 + \lambda_1 (\text{TL}) + \lambda_2 (\text{CE}) + \lambda_3 (\text{SOEA}) + \lambda_4 (\text{GGDP}) + \mu_t$$

$$\text{Model 2: } \text{TL} = \theta_0 + \theta_1 (\text{LACF}) + \theta_2 (\text{CE}) + \theta_3 (\text{SOEA}) + \theta_4 (\text{GGDP}) + \mu_t$$

$$\text{Model 3: } \text{TL} = \alpha_0 + \alpha_1 (ENV\text{DG}) + \mu_t$$

Where; $ENV\text{DG}$ = Environmental Degradation (Deforestation)

TL = Trade Liberalisation

CE = Composition Effect- (Fixed Capital Formation in year t / Product of total labour force and the deflated average minimum wage)

SOEA = Scale of economy activity- Real GDP per kilometer (real GDP/km²)
GGDP = Technique effect (proxy by growth rate of GDP)
LACF = Land Area Covered by forest
 $\lambda_0, \lambda_1, \lambda_2, \lambda_3, \lambda_4, \theta_0, \theta_1, \theta_2, \theta_3, \theta_4, \alpha_0, \alpha_1$ = Parameters; μ_t = Error Term

4. Empirical Analysis

4.1 Presentation of Estimated Results

The result of the estimated model that examines the relationship between environmental degradation and trade liberalisation as well as other factors in Nigeria from 1980 to 2010 is presented in the table 4.1 below.

Dependent variable: ENVDG					
Method: Least square					
Sample: 1980-2010					
	C	TL	CE	SOEA	GGDP
Coeff.	553871.7	99949.05	409.18	66266.7	-1248.4
Std.Err	12515.8	21549.41	1364.5	10102.6	756.07
t-stat	44.25	4.64	0.30	6.56	-1.65
Prob	0.0000*	0.0001*	0.767	0.0000*	0.111
R-Square= 0.86 Adjusted R-Square= 0.83					
F-Statistic=38.60 Durbin-Watson stat= 1.49					
Prob(F-Stat)= 0.0000					

The result of the second model where trade liberalisation is regressed on environmental

Dependent variable: TL					
Method: Least square					
Sample: 1980-2010					
	C	LACF	CE	SOEA	GGDP
	1.71	-0.045	-0.022	-0.373	0.006
Std.Err	0.33	0.009	0.009	0.144	0.005
t-stat	5.22	-4.76	2.53	-2.59	1.11
Prob	0.00*	0.0001*	0.018*	0.016*	0.28
R-Square= 0.65 Adjusted R-Square= 0.59					
F-Statistic= 11.96 Durbin-Watson stat= 2.21					
Prob(F-Stat)= 0.000012					

The result of the estimated model 3 that examines the significant impact of trade liberalisation on environmental degradation

in Nigeria from 1980 to 2010 is presented in the table 4.3 thus;

Dependent variable: TL

Method: Least square

Sample: 1980-2010

	C	ENVDG
Coeff.	-1.65	3.24E-06
Std.Err	0.35	5.12E-07
t-stat	-4.75	6.34
Prob	0.0001*	0.0000*

R-Square= 0.58 Adjusted R-Square= 0.57

F-Statistic= 40.07 Durbin-Watson stat= 1.84

Prob(F-Stat)= 0.0000

4.2 Interpretation of Regression Results

The ordinary least square (OLS) multiple regression model result from the first model indicates that environmental degradation is positively related to trade liberalisation, technique and scale effects of liberalization but negatively related to growth rate of GDP. The estimates for the model as well showed that all independent variables – trade intensity, composition effect and scale of economic activity and technique effect of trade are significant factors affecting environmental degradation. Also, the signs of the independent variables showed that the composition and scale effect of trade liberalization are beneficial to natural resource utilization. The Durbin Watson (DW) statistic reveals that there is presence of weak negative serial correlation among the residual incorporated in the analysis to amount for other significant explained factors.

Secondly, trade intensity is positively related to the growth rate and indicating that the technique, scale and total effects of liberalization are detrimental to the environment.

In other word, the technique effect of trade more than offset the joint benefit of the scale and composition effects thus making freer trade detrimental to natural resource utilization and hence detrimental to the environment. Thirdly, trade liberalisation is positively related to the environment. The

composition effects of trade liberalization on natural resource utilization are however beneficial. Trade intensity and the technique effects of liberalization do however significantly explain resource utilization

5. Concluding Remarks

Nigeria's integration with the global economy has increased significantly aided by substantial liberalization of trade in actualization of the number seven and eight of the MDGs that is, to ensure environmental sustainability and develop a global partnership for development. This has implications on the environment, use of natural resources and Nigeria as developing countries gain greater access to the markets of developed countries. There has been a change in the composition of output in Nigeria that parallels the gradual opening up of the economy. Manufacturing output has been significantly increased from environmental degrading activities although the concentration is on crude oil. There has also been a consistent robust result that indicates that export trade has increased significantly from environmental degrading activities. Therefore, there is the need to consider strengthening environmental policies at the time when further trade liberalization is being contemplated through the World Trade Organisation. This calls for further improvements in environmental standards in specific growth industries to protect natural asset and public health and to assure foreign investors concern about corporate responsibility, particularly for future trade development of the industrial and agricultural sectors.

Nigeria should ensure that any trade agreement does not contain provisions that jeopardize its environment. Trade liberalization should be accompanied by government investments in education, skills, research and development so as to equip people to take advantage of new employment opportunities mostly human development which is a development paradigm that is about much more than the rise or fall of national incomes, and to create adequate safety nets to protect the environment during the period of trade liberalization. Knowing fully well that human development plays basic and fundamental role and remain the

most important factor in economic growth and development in countries of the world. There is an urgent need in Nigeria for the involvement of all stakeholders in the design, implementation, monitoring and evaluation of projects and programmes that are bound to affect their lives and the environment. Since environmental degradation has a significant impact on agriculture-particularly the soil and water that are essential for food production and export-food security will be severely affected if the environment is not protected.

As a result, the government should enforce environmental laws at all levels of governance so as to halt the indiscriminate deforestation as well as the over-exploitation of other flora, fauna, and marine resource-most of which are non-renewable.

The government of Nigeria needs to review the current trade policies with a view to strengthening the positive aspects of trade and minimizing the negative environmental impact of trade. Managed wisely, the new wealth being created by globalization creates the opportunity to lift millions of the world's poorest people out of their poverty. Managed badly, it could lead to their further marginalization and impoverishment. Neither outcome is predetermined. It depends on the policy choices that are made by governments, international institutions, the private sector and civil society.

The Nigerian government has the duty to clearly define property rights since well-defined property rights are central to the selection of the optimal pricing of bio-diverse natural resources. Decision-makers should recognize the fact that efficient pricing of bio-diverse renewable natural resources depends on several factors such as their intrinsic rates of biological growth, the carrying capacity of habitats, the interdependence of species, existing market prices, property rights and the underlying timeframe. Nigeria should engage in a selective and strategic integration with the world market, and she should decide on the extent to which it wants to open up its economy, the timing and sequence of opening it up, the form of cooperation and competition it wants to liberalize and those sectors that need some protection for the good of the country.

Above all, Nigeria must ensure that before going further with trade liberalization, it has the right and space to review periodically the impact of globalization on the society and its environment.

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Decision Making in Crisis Conditions using Trapezoidal Fuzzy Numbers

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Abstract

In practice one cannot speak of a "standard" method used as a single recipe that may facilitate the reduction of uncertainty in decision making.

The transition from the state of crisis to the state of opportunity becomes the ground on which technocratic, structural, cultural and political approaches make a difference in managing an organisation.

To conduct such an assessment process, we propose the use of trapezoidal fuzzy numbers, because of the difficulty to quantify exactly or probabilistically both the economic indicators and the socio-economic, technological etc. influencing factors.

Key words: management decisions
trapezoidal fuzzy numbers, crisis conditions

J.E.L. classification: M11, M21

1. Introduction

In crisis situations, management resorts to decision-making models under risk and uncertainty conditions, models which have become established relatively recently owing to the efforts of specialists in the field of insurance and finance. The true pioneers of this research field were military analysts, who explored borderline phenomena in random limit situations.

No two crises are the same, and their unfolding, dynamics and impact on the economic climate, on society and ultimately on the state (and all the institutions and services it provides) are comparable only to a limited extent and are difficult to generalise and conceptualise[1]. Often, the applied solutions emerging in such situations are not the result of applying established theoretical models, as sometimes they deviate even from the most widely accepted general principles. The need arises, therefore, to develop a meta-

theory which should contribute to grounding principles, procedures and methods synchronised with the current dynamics of the economic, social, political and cultural environment when approaching the complexity of crisis situations[2].

The crisis exposes each system/organisation to decision-making situations under uncertainty conditions of the second and third order. Entropy becomes difficult to absorb or transfer in the absence of specific methods. Mathematical models are increasingly ineffective at addressing the challenges of assessing and estimating economic and financial parameters using crisp numbers.

The difference between bankruptcy and survival most times lies in superior management based on vision [8], experience and the range of human and material resources that a system possesses at a particular moment. In the view of strategic management, events seem to follow any other path than the one foreseen based on assumptions or on the most elaborate forecasts and scenarios, and therefore will render useless even the most comprehensive plans.

In crisis situations, uncertainty emerges as a distinct phenomenon, in which case we face both the ineffectiveness of most theoretical models of decision-making and the inaccuracy and incompleteness of available information [9].

It is therefore necessary to intensify theoretical efforts and to apply interdisciplinary approaches and transfers of methods in order to construct a set of procedures and techniques that should contribute to curbing this phenomenon in decision-making processes.

As we shall observe, multidisciplinary is the hallmark of these management approach, as it integrates a series of sociological, psychological, statistical, mathematical, legal, etc. methods into an approach that is

tailored to a particular activity. This tendency will intensify due to the interdependence links between the various areas (i. e. economic, social, political, and environmental) with the aim of achieving the objective of sustainable development.

2. Considerations on the technocratic approaches to uncertainty absorption

This strategic approach incorporates a set of science-based methods and techniques aimed at assessing and analyzing the major changes that may occur in a particular environment and to forecast the fundamental trends in the evolution of the broader environment [8]. Two clear directions are in focus: the prognosis of contextual evolutions (based on statistical and probabilistic analyses, the Delphi method, the cross-impact matrix, the scenario method, enterprise modelling, etc.) and preparing decision-making situations (procedures for surveying changes in the environment, computer-based management systems, market analyses, etc.).

Taking into account the prevalence of quantitative[9] data used in grounding analyses, they fall into two main categories:

Quantitative modelling methods, which include: data series analysis, spectral time series analysis, econometric modelling, the analysis of economic and social indicators, data extrapolation, etc; these techniques are based on ever more complex tools provided by statistics, which typically focus on averages and probabilities when estimating the future states of relevant variables;

Qualitative methods based on reasoning, which analyse and coordinate systematically the opinions and judgments of a group of experts regarding future events and their potential impact on the evolution of the organisation.

These methods point to the idea of estimating a future development based on the assumptions derived from extrapolating the past and current states of the population, provided that the assumed trend is maintained. Consequently, the effectiveness of the modelling is largely dependent on the relevance of the assumption of the decision-making problem and on the extent to which the assumed relations remain valid in the future. Any potential changes in structure

cannot therefore be anticipated by the model, as they are the expression of random factors. One must also consider that many future events that may generate uncertainty have a unique character, occur for the first time, yet the interrelations with other variables cannot even be assumed; many factors can be the object of analysis only when the information related to their potential manifestation exists and is sufficient to enable extrapolation.

Among the establish methods we can list the multi-factor analysis, discriminant analysis (which serves as the basis for calculating the score function to evaluate risk, especially firms' bankruptcy risk), group analysis, the benchmark method in risk analysis, etc.

In the case of qualitative methods based on reasoning, the emphasis is placed on the experience and professional record of top managers to forecast economic, social or technological events that may have an impact on the organisation. Some of techniques for such analyses that have yielded spectacular results include the Delphi technique, impact matrices, strategic scenarios, etc.

Important changes in international relations, social behaviours, and technological advances can all result in radical changes in the decision-making context and may invalidate the forecasting capacity of the quantitative model previously used. The success rate depends on the management system's capacity to adjust to situations that are highly probable to create discontinuities and on whether it is able to integrate new findings in future forecasts.

It is not our intention to play down the importance of these methods in uncertainty absorption. It is widely acknowledged that certain events such as stock dynamics, the rate of new business formation, variations in the money supply, the trade balance, etc. can signal future evolutions of the inflation rate, the unemployment rate, the GDP, the exchange rate, etc. The use of quantitative forecasting methods can act as a key advantage in planning and grounding strategies. Numerous attempts to adapt these tools to the rapid developments in the socio-economic environment suggest the analysis of several categories of variables and specific indicators in various fields, which exert direct and indirect influence over the phenomenon under review.

3. Characteristics of a decision-making process under crisis conditions (with a high degree of uncertainty)

In delimiting a decision-making situation under crisis conditions, with a high degree of uncertainty, we must identify the following assumptions[1]:

- The crisis leads to second-order or third-order uncertainty in the organisation's decision-making processes;
- The initial uncertainty is not completely reduced; it contributes actively to the dynamics of the decision-making process;
- Overall, the decision-making process is cognitive (searching for relevant information) and rational (knowledge is processed in rational manner);[2]
- Due to the crisis conditions there are always doubts as to the statement of the problem and the importance attached to solving it;
- Under crisis conditions it is difficult to create an exhaustive list of alternative solutions, as their cataloguing is dependent on the quality of the decision-maker's experience and on his/her forecasting capacity;
- There is limited depth and detail, generally confined to choosing from guiding policies or strategies;
- Under crisis conditions, there are fewer criteria for ranking solutions, with a greater degree of generalisation than previous models, and more limited than in traditional uncertainty situations[1];
- It is not possible to attribute probability to the various meanings and consequences of examined solutions;
- Uncertainty causes the analytical models used in the previous cases to be impracticable;
- There is no certainty that the decision-maker will objectively identify the best solution[3];
- The decision-making strategy under uncertainty conditions is characterised by cognitive components and socio-psychological components with multiple interactions;[11]
- The decision-maker's qualities have a considerable impact on the selection of the optimal solution;

- Alternative solutions are of equal importance to the decision-maker;
- The criteria for selecting the alternatives are as good yet superior to random selection;
- The decision strategies are characterised by vulnerability typical of uncertainty;
- The cognitive uncertainty reduction mechanisms can lead to changes in the selected course of action.

4. The optimality criterion (Hurwicz's rule)

This method represents an attempt to formalise and express the degree of confidence in a particular decision. A coefficient α - also called coefficient of optimism - is introduced, its value ranging between 0 and 1 ($0 \leq \alpha \leq 1$).

The optimality criterion can oscillate between the results of two criteria, i.e. the optimism criterion (max max) and the pessimism criterion (maxmin- Abraham Wald). It is more complex and more synthetic than the first two techniques and involves going through several stages[4]:

- Establishing the value of the coefficient of optimism, based on the intuition, experience and forecasting capacity of decision-makers,
- Determining the minimum and the maximum along each line (for each decision-making variant V_i);
- Calculating for each action variant V_i a weighted value, by using the formula:

$$H_i = \alpha * \max_j \{ [a; b; c; d]_{ij} \} + (1 - \alpha) * \min_j \{ [a; b; c; d]_{ij} \}$$

where: α is the manager's coefficient of optimism

$[a; b; c; d]_{ij}$ - are the consequences of the decision made by applying variant V_i , in which nature is manifested in state S_j ; in the case of our example; represent a quadruple estimation for our issue;

- Determining the optimal value based on the formula:

$$V^* = \max_i H_i \Rightarrow$$

$$V^* = \alpha * \max_j \{ [a; b; c; d]_{ij} \} + (1 - \alpha) * \min_j \{ [a; b; c; d]_{ij} \}$$

- Identifying the optimal value V_i for which $V^* = \max_i H_i$

It is obvious that this model synthesises the first two techniques described, by assigning extreme values to the coefficient:

- $\alpha = 1$ - the method expresses the principles of the optimistic criterion (max max)
- $\alpha = 0$ - the method expresses the principles of the A.Wald criterion (max min)

We will highlight the influence of α on the optimal solutions to a decision-making problem under uncertainty conditions.

Example with trapezoidal fuzzy numbers - numerical case

For our research we identified a situation of decision making under uncertainty of *third-order uncertainty* (when neither the outcomes of potential courses of actions nor probability of occurrence of natural states are known). We aim to identify the optimum by **Hurwicz's rule**.

In our application we will use the point of view of O. Gherasim[4]. In this case all operations with fuzzy numbers have a special associated gravity center and a special associated ranking criteria. We will determinate the matrix of utilities with equal weights.

By using variable centers of weight associated to fuzzy number, we try, through a multidisciplinary approach, to develop and complete the portfolio of political instruments that managers can use for decision-making foundation.

We will consider three possible strategies/projects, to be assessed on the possible evolution of indicators related to the market, the financial state, the economic state and the technical state.

Table 1 The matrix of consequences with trapezoidal fuzzy numbers

Project i	C 1 - initial values				CentG
V1	15	17	22	25	19,75
V2	19	21	23	27	22,5
V3	12	17	22	24	18,75
Project i	C 2 - initial values				CentG
V1	250	280	350	430	327,5
V2	270	300	360	400	332,5

V3	280	310	380	410	345
Project i	C 3 - initial values				CentG
V1	800	850	930	1000	895
V2	750	950	1050	1250	1000
V3	700	850	920	1200	917,5
Project i	C 4 - initial values				CentG
V1	33	37	39	41	37,5
V2	31	36	38	45	37,5
V3	28	39	42	44	38,25

C1- indicators related to the market

C2- indicators related to the financial state,

C3- indicators related to the economic state

C4 -indicators related to the technical state

After normalization to the minimum and maximum value of fuzzy numbers, we obtain the following matrix:

Table 2. The matrix of utilities

Project i	C 1 - initial values				CentG
V1	-1,378	-0,702	0,88	2,267	0,267
V2	-1,333	-0,267	1,6	4	1
V3	-1,6	-0,667	0,667	1,6	0
Project i	C 2 - initial values				CentG
V1	-5,143	-2	2	5,143	0
V2	-5,796	-1,755	3,102	5,592	0,286
V3	-8,571	-2,286	5,714	9,143	1
Project i	C 3 -				CentG
V1	-0,952	-0,381	0,381	0,952	0
V2	-2,381	0,19	1,905	4,286	1
V3	-1,684	-0,361	0,537	2,364	0,214
Project i	C 4 -				CentG
V1	-5,333	-1,333	1,333	5,333	0
V2	-6,667	-2	0,667	8	0
V3	-17,333	0	6,667	14,667	1

After application of the importance weights of the indicators and calculating the maximum and minimum values on each line, we obtain the following results:

Table 2. The maxim and minim for each line

	max			
V1	-0,345	-0,176	0,22	0,567
V2	-0,333	-0,067	0,4	1
V3	-2,143	-0,572	1,429	2,286

	min			
V1	-1,286	-0,5	0,5	1,286
V2	-1,667	-0,5	0,167	2
V3	-0,4	-0,167	0,167	0,4

You will need to rank fuzzy numbers to determine the next best option by Hurwicz rule. In this case, trapezoidal fuzzy numbers will have the following forms for each course of action:

V1- $[-1,286 + \alpha * 0,941; -0,5 + \alpha * 0,324; 0,5 + \alpha * (-0,28); 1,286 + \alpha * (-0,719)]$

V2 - $[-1,667 + \alpha * 1,334; -0,5 + \alpha * 0,433; 0,167 + \alpha * 0,233; 2 + \alpha * (-1)]$

V3- $[-0,4 + \alpha * (-1,743); -0,167 + \alpha * (-0,405); 0,167 + \alpha * 1,262; 0,4 + \alpha * 1,886]$

After applying the ranking criteria, we obtain the following order:

- for $\alpha \in (0;1)$, $v_3 > v_2 > v_1$
- for $\alpha = 0$, $v_1 > v_3 > 2$
- for $\alpha = 1$, $v_3 > v_2 > v_1$

5. Conclusions

The transition from the state of crisis to the state of opportunity becomes the ground on which technocratic, structural, cultural and political approaches make a difference in managing an organisation.

By using fuzzy trapezoidal numbers can be made a selection of the best solutions in conditions of ambiguity (conditions of third-order uncertainty).

Through this demonstration, we see that it is possible to combine several different strategies and indicators, qualitative and quantitative. This development of traditional methods with fuzzy numbers represents a technocratic answer to a call of interdisciplinary approach of decision-making in crisis conditions.

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An Assessment of Indigenous Ethnicity and Entrepreneurial Attitude in Nigeria

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.Abstract

Ethnic differences influence entrepreneurship development as well as its success or failure. In Nigeria, ethnicity is one of the keys to understanding pluralistic nature of our society. One thing to note is that the various ethnic groups in Nigeria have achieved varying levels of success in their entrepreneurship development and its subsequent success. Thus, this paper tried to evaluate the disparity that seems to exist among indigenous ethnic groups and entrepreneurial success in Nigeria using and OLS estimation of primary sourced data. The results from the study suggest that though membership of an ethnic group is an important factor in achieving entrepreneurial success in Nigeria, there are some other factors that influence entrepreneurial success in Nigeria. Among these factors are: access to financial capital, education (including vocational training) at start up, and prior business experience.

Key words: Entrepreneurial Success, Ethnicity, Nigeria.

J.E.L. classification: L26, C20

1. Introduction

Understanding the relationship between ethnicity and enterprise is important because entrepreneurship among ethnic minorities is associated with socioeconomic mobility

(Light 1984; Logan, Alba, and McNulty 1994; Nee and Sanders 1985; Portes and Bach 1985; Portes and Zhou 1992; Sanders and Nee 1987; Sanders and Nee 1996; Waldinger 1986; Waldinger et al. 1990). Also, social relationships rooted in kinship ties constrain or promote economic behavior (Granovetter 1985; Portes and Sensenbrenner 1993; Rath 2000). Even in countries where immigrant ethnic groups have high profiles in business ownership, indigenous entrepreneurs own most small businesses and a significant share of medium sized establishments. More importantly, local entrepreneurs themselves have been found not to be homogenous, and this seems to be the case in many other multi-ethnic societies where some groups are popularly perceived to do better in business than others.

Nigeria, ethnicity is one of the keys to understanding pluralistic nature of our society. Estimates of the number of distinct ethnic groupings varied from 250 to as many as 400 (<http://countrystudies.us/nigeria/>). The most widely used marker is that of language. Generally, all the ethnic groups in Nigeria can be categorized into three namely Hausa, Igbo and Yoruba. One thing to note is that the various ethnic groups have achieved varying levels of success in their entrepreneurship development and its subsequent success. For example, the Igbos can be found to be more involved in trading, while the Yorubas are more prevalent in crafting while the Hausas are not quite known with any particular entrepreneurial

and/or apprenticeship development. Also, in most cases, after completing primary school, the Igbos get into apprenticeship and later graduate to become entrepreneurs while most of the Yorubas complete secondary (and many atimes, university education before going into apprenticeship). In the case of the Yorubas, many of them do inherit their family trade/business which consequently, develops in them an entrepreneurial skill.

Following from this line of thought, it can be said therefore that, besides capital and other factors that influences entrepreneurial development and success or failure, ethnicity, ethnic groupings etc. can as well contribute to the rate of acquiring skills and the sustainance of business enterprises. This to our knowledge, have not been investigated, thus, our setting out to investigate the entrepreneurial traits or characteristics to a particular ethnic group that exist. Based on the above, this study examines the ethnicity effects in entrepreneurial success in Nigeria. Specifically, the study investigates the level of entrepreneurial success achieved, in terms of participation, income, and longevity of business. Following the introductory section is the literature review contained in section two. Section three will delves into the stylized facts on Nigeria while section four presents the methodology and data analysis. Section five concludes the study.

2. Methodology

2.1. The Model

To assess the importance of ethnicity on entrepreneurial success, by investigating whether or not the size of an entrepreneurial business depends on the ethnic of its owner and, assuming it does, the extent to which this is based on inter-ethnic differences in business skills or ability, we applied a standard instrument variable estimation procedure as stated by Wiig and Kolstad (2011). The estimated equation was as follows:

$$S_{it} = \alpha_1 + \beta_1 Z_i + \gamma_1 X_i + v_i$$

From the adapted and modified model, entrepreneurial success was regressed on a vector of instruments Z_i and a set of covariates X_i . In addition to ethnicity and other observable entrepreneurial

characteristics like years of education, owning some other businesses, had formal vocational training, prior industry experience, worked in a family business or as an employee or was self employed as well as the industry type were examined. The vector of covariates X includes characteristics such as gender, access to financial capital, number of full time employees, and age of establishment. S_{it} , is the current size of business i in terms of employment, assets or turnover, and S_{i0} , the size of the same business at its start-up. The strategy adopted for testing for ethnicity effect on entrepreneurial performance consist the inclusion of the ethnicity of business owners among the Z_j 's.

2.2. Data Requirements and Sources.

The study utilized mainly primary data, which cover a random selection of manufacturing establishments in Nigeria, especially small to medium scale ones categorized with respect to their employment size. Information was gathered in the area of sales and assets of the establishment, Start-up size (defined as the number of full-time employees at the time of the start of operations), age of the establishment (defined as the number of years since its establishment), entrepreneurial success (measured by the business size of all owned businesses by the individual), where this poses a problem a dummy variable on the ownership of other businesses was used. Other information gotten includes the nature and characteristics of business enterprise, enterprise owner characteristics, apprenticeship (number, fees charged, allowances paid, apprenticeship labour), years of education of business owner, owning some other businesses, had formal vocational training, prior industry experience, worked in a family business or as an employee or was self employed as well as the industry type, gender, access to financial capital, and number of full time employees. A multi-stage sampling design was adopted for the sampling process. The first stage was the selection of the strata to be sampled. The second stage was the selection of clusters, while the third stage was the selection of the business enterprises to be interviewed. Three out of the six geo-

political zones in Nigeria, namely Southwest, Southeast, and Northwest was used as our strata. From each stratum, two states were chosen from where the business enterprises were also drawn. The states were chosen irrespective of the variations in their population for balance purposes. These were made independently in the different strata. The chosen states are Anambra, Abia, Oyo, Ogun, Kaduna and Kano. From each state, about 280 firms were randomly selected and sampled out of which 265 was returned.

2.3. Data Analysis

2.3.1. Descriptive Analysis

A total of 280 entrepreneurs were interviewed and 265 returned and used for the analysis. The summary statistics for the main sample are presented in Table 1. The table shows that the tribe of the business owner spreads across the various tribes in Nigeria with the three major ones namely Ibo, Yoruba and Hausa being dominant and constituting 40.6%, 30.6% and 21.4% respectively. Other tribes, which include Tiv, Idoma, Itsekiri, Efik, Ibibio, Edo etc., constitute 7.4%. Also, with respect to the gender of the business owner, 70.5% were owned by males while 29.5% were owned by females. Many of the business owners (76.5%) had access to financial capital though this was mainly through cooperative societies and other informal contributions like the *esusu*. The mean years of schooling was 8.45 while only 47.8 % had formal vocational training with about 38% owning more than one business establishment. It was observed that many had informal apprenticeship trainings where apprenticeship fees were paid to the masters for specified number of years. Before starting their business, many of these owners spent an average of 9.0 years working in the industry while 34.6%, 46.4% and 19.0% worked in a family business or worked as an employee or was self employed respectively. Business owned varied from garment or leather work (23.2%), wood or metal work (24.5%), and textiles (28.3%). Many of the businesses have live for an average of 9 years employing an average of five workers at start up and this has increased over time to an average of 15 employees. Furthermore, a crosstab analysis

shows that over 60% of the Ibo business owners sampled were male while 21.3% of the Yoruba business owners are males. Also, females constitute more of the sample business owners that are from the Yoruba and Hausa ethnic groups (see Table 2).

Table 1: Descriptive statistics

Ethnic Group of Owners (%)	
Ibo	40.6
Yoruba	30.6
Hausa	21.4
Others	07.4
Gender of Owner (%)	
Male	70.5
Female	29.5
Other Characteristics of Business Owner (%)	
Owens other establishment	38.0
Years of Schooling*	8.45 (5.6)
Had formal vocational training	47.8
Access to financial capital	76.5
Prior Industry Experience (%)	
Number of years*	9.0 (10.6)
Worked in a family business	34.6
Worked as an employee	46.4
Was self employed	19.0
Industry Group (%)	
Garment or leather work	23.2
Wood or metal work	24.5
Textiles	28.3
Others	24.0
Other Establishment Characteristics*	
Number of Current full time employees	15.7 (12.4)
Age of establishment	09.5 (07.5)
Number of full time employees at start up	05.5 (3.45)
Number of Respondents	265

* indicates mean and standard deviation are in brackets.

Table 2: Ethnicity and Gender of Business Owner

Ethnicity	Gender of Business Owner (%)		
	Male	Female	Total
Ibo	60.6	39.4	100.0
Yoruba	21.3	78.3	100.0
Hausa	30.6	69.4	100.0
Others	17.5	82.5	100.0
$\chi^2 = 156.56$			

2.3.2. Regression Analysis

The result in table 6 indicates that the age of the establishment, access to financial capital and the ownership of other business by the business owner have a significant association with entrepreneurial success while the number of full time employees at start up was not significant and also had a negative relationship with entrepreneurial success in Nigeria. But there were some cases where loans were gotten and the business failed and this was attributed to a number of reasons by the owners involved among which was the size of the loan and the high overhead cost of running the business, especially those costs related to energy and electricity. The result on age of the establishment also suggests that older businesses and those business owned by owners with more than one business tend to succeed more than newly established ones and this can be attributed to the experience of the business owner. With respect to gender of the business owner, the coefficient for the male dummy is negative, suggesting that the female entrepreneurs perform better than the male, though the male dummy was more significant.

Years of schooling was another factor that had a positive influence on entrepreneurial success signifying the importance of education in the success of an entrepreneur. Further decomposing education to whether or not the business owner had a formal vocational training, shows that this variable was also significant as such it is important and any potential entrepreneur should have some kind of vocational training though in Nigeria most of the small business owners go through apprenticeship training before establishing their own businesses.

This apprenticeship does have some family or ethnic undertone as many apprentices are attached to a business owned by a family member or someone from the same ethnic group. This can be linked to the reason why all the ethnic variables were significant in enhancing entrepreneurial success in Nigeria. For instance, the Ibo and Yoruba owned business were both significant at 1% level while that of the Hausas' was significant but had a negative relation with entrepreneurial success. This also had a reflection on the industry group as the Ibos

are well known for their involvement in garment and leather works trading while the Yorubas have an edge in wood works (wood carving) and textiles (dyeing) and the Hausas who do have more access to leather works seems not to be doing well in this trade.

Table 6: Regression Results

Dependent Variable	Business Size
Age of establishment	0.749 (0.013)*
Owens other establishment	2.341(0.041)*
Number of full time employees at start up	-0.087(-0.007)
Access to financial capital	0.001(0.000)*
Gender	
Male	-2.841(-0.321)*
Female	0.278(0.111)
Education	
Years of Schooling	1.160(3.116)*
Had formal vocational training	0.461(1.142)**
Prior Industry Experience	
Number of years	3.162(2.906)*
Worked in a family business	-0.621(-0.171)
Worked as an employee	1.744(2.030)**
Was self employed	0.731(0.163)***
Industry Group	
Garment or Leather Work	-0.434(-0.7111)***
Wood or Metal work	1.112(4.011)*
Textiles	0.764(2.312)
Ethnic Group	
Ibo	1.912(2.017)*
Yoruba	0.7111(0.435)*
Hausa	-0.436(-1.103)***
Constant	-2.261(3.002)*
Summary Statistics:	
Number of Observations: 265	
R ² : 0.605	
Chi-Square: 965.06	
P – Value: 0.0000	

't'-statistics are in brackets
(***), (**), (*) indicate significant at 10%, 5% and 1% level respectively.

All the prior industry experience variables were significant except where the business owner worked in a family business. It was observed that prior working in a family business was mostly common to the Ibos and Yorubas though it was more pronounced among the Ibo ethnic group. It was noticed

that this was a long time tradition among the Ibos and as indicated by the result, many of those involved in this had experienced one form of business failure or the other while some simply changed business because they felt they were not making sufficient profit to the keep the business running. Also, many of the business owners in the various ethnic groups have that claimed to have achieved success were either self employed or worked as an employee prior to establishing their own business and this was reflected in the regression result as these variables were significant at 10% and 5% level.

In all, ethnicity measured by the ethnic group of the business owners as shown by the result indicates that the ethnicity of the business owner has a very strong influence on the size of the business as a reflection of entrepreneurial success. And having a formal education and access to financial capital also contributes more to entrepreneurial success, implying that either access to capital is important to entrepreneurial success or that more successful entrepreneurs get more credit, or both. This finding was similar to those of Wiig and Kolstad (2011).

3. Conclusion

This paper tried to evaluate the disparity that seems to exist among indigenous ethnic groups and entrepreneurial success in Nigeria using and OLS estimation of primary sourced data. In recent time there have been some argument on which of the ethnic groups in Nigeria is more successful in small business establishment, the results from the study suggest that though membership of an ethnic group is an important factor, there are some other factors that influence entrepreneurial success in Nigeria. This was also in line with the findings of other similar studies in the literature. Among these factors are: access to financial capital, education (including vocational training) at start up, prior business experience and ownership of other businesses. The study shows that the Ibos tend to succeed more than the other ethnic group as they tend to have and run significantly larger small businesses. Nevertheless, one thing to note at this point is the limitations of the study which include that the study did not include information on failed businesses and also the sample is

drawn entirely from manufacturing industries to the exclusion of businesses in services or in construction.

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How to Use Benchmarking in Small and Medium-Sized Businesses

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Abstract

In nowadays benchmarking become a powerful management tool that stimulates innovative improvement through exchange of corporate information, performance measurement, and adoption of best practices. It has been used for to improve productivity and quality in leading manufacturing organizations. In the last years, companies of different sizes and business sectors are getting involved in benchmarking activities. Despite the differences of benchmarking practices between smaller and bigger organizations, a successful benchmarking project could also enhance small business competitiveness. This study surveys the concept of benchmarking and analyze how it can be used in small bussiness.

Key words: benchmarking, organization, performance, small and medium businesses

J.E.L. classification: M11, O32

1. Introduction

Change management and continuous improvement have become two of the most common issues of the 21st century. Companies must adopt modern instruments and techniques in order to survive and prosper in a fairly competitive environment.

Nowadays, more and more organizations realize that, in a strongly competitive environment, the policy of short-term profit maximization is no longer a guaranty for success, and that such a policy should be accompanied by a continuous improvement of the way they carry out their activity. In order to have a long-lasting development, a company that carries out its economic activity in a responsible manner, by referring to the market's evolution, must take into

account not only satisfying the needs of customers and share holders, but also the interests of the parties, the social and environmental impact of its actions.

Benchmarking is a concept adopted by many companies in order to comply with the market requirements and to obtain long-lasting benefits as opposed to their rivals.

Therefore, benchmarking can be regarded as a functional objective which allows for the achievement of an excellent level of quality, costs and speed. In order for this to be fulfilled, the business process, the product or the service must be measured by comparing it with a process, product or service which is known to be the best in the world.

This paper studies the way in which the concept of benchmarking is regarded in specialized literature. It also comprises an analysis of the way in which small and medium enterprises use benchmarking to improve activity and increase competitiveness on the market.

2. The concept of benchmarking

Benchmarking is a well-known concept in the world of business, the most frequently used meaning of the term being the research for good methods within the industry where the organization carries out its activity, which could lead to an increase in performance [3]. This method can be used by a great number of companies in order to measure their performances and the way of achieving their strategic goals [1].

Another approach encountered in specialized literature discusses benchmarking as being the process of assessment and adaptation of the organization according to the best products and services in the industry [15]. In this definition, the emphasis falls on comparing the organization's activity with that of the competitors', its purpose being to find means of lowering costs, increasing

performances and quality, and identifying the best business models.

Benchmarking is a standardized method for identifying and analyzing the competing performance variables, being a method of locating, identifying and analyzing the competitors of the analyzed enterprise [11]. This presentation emphasizes the strict analysis of competitors and the adaptation of strong points to the organization's specific features.

Regarded as a process, benchmarking is a continuous assessment of the current products, services and methods of the organization in relation to the most important customers or the enterprises known as leaders in their domain [3].

Benchmarking can also be defined as the process of continuous improvement by identifying, understanding and adapting the best models from inside or outside the organization [17].

From some authors' perspective, benchmarking has become one of the most popular instruments in the world, providing the three primary components essential for management: quality management, knowledge management and the process of continuous performance improvement [2].

It should also be noted that specialized literature makes observations on the large-scale expansion of this concept, highlighting two limits: the geographical boundary and the industrial division [17]. In the current context, with globalization being a vital component of most economies, we may speak of a disappearance of geographical boundaries.

First adopted by large enterprises, benchmarking has also become an essential instrument for small and medium enterprises. Although small enterprises understand the importance and function of benchmarking, they often tend not to assimilate it due to the large amount of time required for its implementation and the high costs. However, there is a belief that benchmarking is fit for any business, big or small.

The following part of the paper introduces the way of using benchmarking in small and medium enterprises.

3. Using benchmarking in small and medium businesses

Small and medium enterprises still have issues regarding the transition to using benchmarking, but it is easier for them to incorporate new ideas and processes than it is for large enterprises which tend to be kept in place by bureaucracy, as changes can be made quicker [17].

Nowadays, the ones practicing most benchmarking in small and medium enterprises are third-party organizations. They often concentrate too much on gathering information regarding results than on the processes and methods used in order to achieve these results [6], [17].

Given the current situation, not even small enterprises can afford to remain inflexible to market changes. Globalization remains one of the primary factors that have increased the need for adaptation and continuous improvement.

The idea that benchmarking is the ideal instrument for planning and implementing changes within organizations by using the best methods has become more and more common among small businesses.

As mentioned since the beginning of this research, the adoption of benchmarking represents an expensive activity for a small or medium enterprise. So naturally, there comes the question: What is the point of using benchmarking in an organization?

The adoption of benchmarking may lead to a series of advantages, alongside the relatively high costs:

- improving the way of identifying customer needs;
- identifying the strong and weak points of the organization;
- the emergence of innovative ideas;
- encouraging the process of continuous activity improvement.

Some researches [5], [13] show that the quantity-oriented measure of performances acquired through benchmarking within small companies is rarely used. There is no quantity-related assessment of the way in which using benchmarking has improved the company's activity.

A great part of the specialized literature is dedicated to the underlying impediments for the implementation of benchmarking within the company. They refer to the lack of time,

the high costs, the lack of knowledge and experts in the domain, and even the lack of a strategic plan [13], [15].

Many companies see benchmarking as a performance instrument which improves competitiveness and efficiency, as a result of the improvement of business processes.

Among the articles used for the analysis, there is a classification of benchmarking for both large and small enterprises. The highlighted types are the following [5], [17]:

- external benchmarking - implies the comparison with external entities. This type is also divided into several sub-branches:
 - o competitive benchmarking – companies that carry out similar activities;
 - o functional benchmarking – companies that carry out various activities, but which are active in the same area, the comparison being performed at function level (distribution, production, marketing);
 - o general benchmarking – companies from different areas, the comparison is performed at work method level (for example, the way in which the same thing is handled in accounting by both entities);
- internal benchmarking - describes the comparison within the organization of various processes, as well as the identification of improvement possibilities based on internal models.

Benchmarking may be quantity-related, determined by the occurring data exchange, and of quality-related, determined by the knowledge transfer [6]. Being a flexible instrument, the success of applying benchmarking refers to the way in which acquired information is used and to the increase in quality of the decisions made.

One of the great advantages of benchmarking consists in the fact that there is a possibility to improve some classic instruments underlying the decision making (budgets, cost analysis, panel) [8]. Among small businesses it is easier for these instruments to have a higher degree of accuracy and fully reflect the organization's activity.

Among small businesses, the concept of benchmarking partners is seen more and more often [13]. It refers to the fact that collaboration must exist in order to highlight the improvement of less advanced areas of the organization, by taking and adapting ideas from a partner that, in his turn, takes

the best methods from the partnering company.

The primary role of benchmarking within small businesses is to identify, understand and rectify the processes which lead to low performances by formulating proper strategies.

4. Conclusions

In the current strongly competitive environment and the context of accelerating the globalization process, even the relatively small enterprises are forced to develop new strategies to remain competitive on a long term. The increase in quality of the goods and services, provided through long-lasting development and continuous adaptation to market conditions, can be the result of adapting the benchmarking to small and medium enterprises.

The essence of this concept is the process of borrowing and adapting ideas to the business's specific features. By adopting this instrument, companies get a lot of advantages, they stand out from their rivals and contribute to the long-lasting development.

Internal benchmarking grows ever more because there are good methods in various parts of the same organization and it is easier to identify the skills required within a company before resorting to external models.

This paper has presented the way in which small and medium enterprises regard this concept. Alongside the continuous improvement of business processes, it is important to identify other enterprises in order to establish benchmarking partners. The possibility of creating industry profiles is also suggested in order to supervise and assess the performance, especially at global and strategy level.

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Scoreboard—Managerial Accounting Instrument – Prerequisites for its Implementation in Public Cultural Institutions

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Abstract

Public institutions, according to their defined legal framework, have attributions regarding the management of public resources for the achievement of certain objectives of public interest. The first question public managers should ask themselves is how to manage public resources more efficiently in order to satisfy general social needs and to obtain a high performance level, providing an efficient functioning of the system which the public institution is part of as well.

The source of this research is the authors' interest for the control of the organizations in the cultural field, which lead to the formulation of the following practical questions: which are the proper instruments for the control of such organizations?

In this research we have investigated the specialized literature in order to redefine the concept of scoreboard. We have also performed a critical analysis as for the advantages and disadvantages existing in the use of the scoreboard in public cultural institutions of Romania.

Key words: scoreboard, performance, management accounting, objectives, decisions.

J.E.L. classification: M41

1. Introduction

This article covers the “scoreboard” as an instrument of managerial accounting, providing a double reading, both theoretical and practical, as it intends to perform a theoretical synthesis of the ways it is used and implemented in the case of an exhibition

organizing public institution, provided that such institutions have particular specific functions. Likewise, the theoretical framework for the analysis of previously raised issues seems to be that of controlling the cultural organizations, highlighting their strong institutional dimension, certain particularities which have a translation in terms of control.

We have focused our attention on a case of exhibition organizing public institution, the type of organization which crystallizes in an exemplarily manner the particularities of cultural organizations as well as any control decelerators which may occur. Consequently, the theoretical framework of research, described in the first part of the article, provides a synthesis of the ways to use the budgetary instrument.

This theoretical framework is used, in the second part of the article, as support for the study of an exhibition organizing public institution, which allows the blending of theory and practice.

2. Managerial accounting

Nowadays managerial accounting has become the most important source of information for economical activity, both at the organization's level and at the national economy's level. Therefore, it incurs the necessity of implementing some developed options of managerial accounting which allow the achievement of a higher accuracy of the accounting information and, particularly, which favor the production of new informational systems, better adapted to the needs of internal users. Until recently, the informational system of managerial accounting has been examined as a “black box”, analyzing its part for economic and

social entities, but the ways of exerting this part have not yet been clarified.

Professor H. Bouquin proposes the following definition for managerial accounting: "a system of accounting information intended to assist managers and influence the behaviors by modeling the relationship between consumed assigned resources and aimed finalities." [1]

Managers coordinate the future and constantly report the present to it. [2]. The need for information is generally "caused" by the decisions to make. Whichever should be the case, the information produced needs to comply with the three criteria set forth by Emery: [3]

- 1) the information is valuable to the manager provided that it contributes to the decrease of future's uncertainty;
- 2) any additional information is valuable provided that it affects the respective decision;
- 3) the information is valuable provided that it contributes to the "sensitive" modification of a decision's consequences.

Presenting managerial accounting at the service of decision means the obligation of describing the conception of this decision. Herbert Simon, a Nobel Prize winner for economy, the author of the well-known works about decision systems, has showed in an initial enquiry what managers expect from managerial accounting [4]:

- to allow score keeping: "are things better or worse?";
- to direct attention: "what issues should they be interested in?";
- to assist problem solving: "among the various solutions, which one is the best?".

The purpose of managerial accounting is to make, out of its information and techniques, an orientation instrument, a "scoreboard", a counselor for determining the conditions for the inside performance as well as the macroeconomic performance of an economic-social entity. In other words, the managerial accounting information constitutes the most important source, the management's "database" in the decisional process. Managerial accounting information provides managers with the possibility of choosing optimal programs and setting a certain economic policy direction. In addition, there is the current trend of the accounting information to become more

operational by the automation of administration calculations. The production of reasonable and efficient informational systems for the management allow the connection of economic information, in general, and of accounting information, in particular, to the requirements of modern management [5].

3. Scoreboard

The notion of "scoreboard" has been introduced in France since the interwar period. This is a piloting instrument of the company as it allows managers to have a real-time synthetic vision on the main indicators regarding the company and the business environment in order to make the decisions within their competency field.

As for the definitions provided for the scoreboard as a managerial accounting instrument, the specialized works pronounce their opinions in various forms, which shall be presented hereinafter, being thus able to better set forth its place within managerial accounting.

According to certain authors, (Buquin, 1996; N. Guedj, 1996) the scoreboard is an assembly of less numerous indicators, intended to allow the administrators to be informed on the inventory and progress of the systems which they are in charge of and to identify the trends to be influenced for a horizon coherent to the nature of their functions.

The scoreboard is an assembly of current information presented under a synoptic form, pre-established, regarding the main results of the company's activity or of some of those, and the main factors which condition their smooth and efficient performance. (O. Nicolescu, I. Verbonicu, 1999)

The scoreboard is an information system which lets you know, permanently and as soon as possible, the data required in order to control the company's short term activity and to facilitate the exertion of responsibilities. (M. Gervais, 1989).

T. Aslau, 2001, considers the scoreboard as an instrument for the control of the administration, used by the company's management, able to supply essential and strictly necessary data in order to take corrective decisions when any disruptive factors or imbalances of the current activity

are encountered, which may incur deviations as to the established objectives.

3.1 Presentation and use of scoreboards

The scoreboard may be considered as an answer to the insufficiency of general accounting to fundament the current administration decisions made by the managers. Generally speaking, it is made of an assembly of less numerous indicators which provide the administration managers with significant information in order to guide their activity. As a guiding instrument for managers' actions, the scoreboard features the following characteristics:

- it is intended for each operational manager;
- it contains a relatively low number of indicators (10 to 25 indicators, at most);
- the information is not only financial, but there are also indicators in natural or quality standard;
- it is easy to obtain, as there is the possibility to identify the origin of information;
- it is easy to be understood and construed, as the indicators are presented visually, by means of tables, graphics, in absolute values and rates.

The non-financial nature of certain indicators is a characteristic specific to the scoreboard which allows the administration managers to receive other data than the financial-accounting ones. The non-financial information (e.g. the quality level of raw materials, the clients' loyalty rate, the rate of unsold goods, etc.) allows a fast reaction decision makers to the unexpected or important changes in the business environment, because operational managers mostly exchange quantity related data (in natural standard) and quality related data, rather than financial data. Thus, by means of the scoreboard, a better connection is created between operational managers, who "judge", in terms of quantity (tons delivered, number of parts, etc.), and the administration controller who operates in terms of value (price or cost).

The elaboration of the scoreboard is achieved following a rigorous methodology. First of all, a project is elaborated, namely the organizational context is determined and the utility of creating a scoreboard for a

certain manager of an administration center is assessed. At this stage, the manager of the targeted center is appointed, the objectives are set and an action plan is established in order to achieve the objectives.

These are the potential steps for the elaboration of the scoreboard [6]:

- Setting objectives: it is the most important aspect in order to justify the elaboration of a scoreboard. Any objective must be quantifiable and determined for a certain period, requiring the distinction between an objective and a mission. For example, the reduction of general expenses by a certain percentage, within a defined term, represents an objective, but the administration of general expenses is a mission. In order to be realistic, the objectives should be reasonably established and preferably discussed or negotiated with the general management.
- Establishing an action plan for the achievement of the objective. The establishment of the action plan shall allow the identification of the parameters which have an influence upon the objective. For example, the reduction of the company's general expenses involves the setting of the elements to act upon, i.e. the identification of the sources which have generated the growth of these expenses, such as: travel expenses, maintenance expenses for the administrative offices, exaggerated protocol expenses, etc.
- Identifying pertinent indicators. At this stage, the administration manager should choose those which he considers as most pertinent for the appreciation of his actions' result. As for the objective of reducing general expenses, the following indicators may be established for each type of expenses, such as: the number of travels per concluded contract (or the value of travels per concluded contract), the means of transportation used and the frequency of their use, the booking method for transportation tickets and accommodation (in order to benefit from certain discounts provided by service suppliers), the determination of certain norms for protocol expenses, etc.

- Elaborating the scoreboard. The construction of the scoreboard shall include all the methods which allow the best visualization of the indicators to be monitored, such as: absolute values, deviations (+/-), rates, graphics, pictograms, tables, etc. As mentioned before, the indicators retained in the scoreboard should be less numerous to allow the achievement of its function, that is the guiding of managers in their current decisions and the control upon the achievement of performance indicators.

3.2 The scoreboard and its use in public cultural institutions

The existence of cultural objectives makes it possible that the mission of a cultural organization is never restricted to generate a profit. Consequently, the situation of cultural organizations has common points with that of the assembly of organizations in the public and non-profit sector, which has consequences from the point of view of control. Here are several examples as illustration.

Therefore, the definition and measuring of performance (Demeestère, 2002, Drucker, 1990) are problematic within these organizations. Another example is that of cost calculation which is problematic in the public field, especially due to the difficult valorization of resource consumption and to the multitude of potential interpretations of the production notion (Burlaud & Simon, 2000). Likewise, it is equally difficult to define and measure the production of non-profit organizations (Le Duff & Papillon, 1997). Yet, there are various researches which imply that, despite their cultural specificity, they are "administered" and, most of all, controllable (Agid & Tarondeau, 2006; Amans, 2003 ; Bonnafous-Boucher, Chatelain-Ponroy, Evrard & Mazallon, 2003 ; Chatelain, 1996; Evrard & Chiapello, 2004 ; Gombault, 2000, 2003; Tobelem, 2005).

An experimental study has been performed in a public institution, a museum, subordinated to the Ministry of Culture. The purpose of this study was to observe the control system of this institution and, more precisely, to check on the way of using a control system.

3.3 Case overview, characteristics and experimental approach

First of all we shall brief both the company's characteristics, hereinafter referred to as the "Museum", and the research protocol. Further on, we shall introduce and analyze the control system, by means of the scoreboard.

The organization studied is a public institution, a museum, subordinated to the Ministry of Culture. Its purpose is to develop cultural democracy, contributing thus to the access of all types of exhibitions and cultural events. Our study focuses on the main activity of this organization, which is the appraisal of the exhibitions. Exhibitions generally make the object of a single display. At a first stage of our research, we have made an interview with the Museum's financial manager in charge of the exhibition organization.

The interview was based on a grid regarding the administration system in general and the administration instruments privileged within the organization. In the light of this interview and of the research literature for the control of this type of organization, we have focused our attention on the issue of the performance indicators' role.

The conditions to be fulfilled by the indicators are as follows:

- The indicators introduced into the composition of the scoreboard should be simple and not numerous (3 – 5 per activity);
- The scoreboard indicators should be clear, concise and perfectly understood by the people involved.
- Selected indicators should follow a certain strategy (the indicators decline the strategy for different decision centers);
- The indicators used should have a certain progressive trend (to be adapted according to the strategic evolutions).

Further on, we shall present a scoreboard, under the form of a table, for monitoring the performance of the commercial activity (the objective considered: the increase of cashing from the exhibition visiting by a certain percentage within a limited period of time):

Table no. 1: Sales department scoreboard

<i>Indicators</i>	<i>Month February 2011</i>	<i>Month March 2011</i>	<i>Variation (+/-)</i>
Total no. of visitors	500	580	+80
No. of visitors who have visited the museum	50	42	-8
No. of exhibitions	3	2	-1
CA from the tickets sale	2200	2500	+300

We consider that the presentation, as well as the content of the scoreboard, ensure its easy reviewing by the addressee. It has been put in very simple situations in order to be understood, analyzed and used as fast as possible. It is clear that the simplicity, the rapidity and the flexibility of a scoreboard provide new dimensions for the entity's management, registering it as means of dialogue and dynamic action for the correction and removal of errors.

4. Advantages and disadvantages in the use of a scoreboard

Among the advantages of the use of this managerial instrument, we mention: the facilitation of a better decision argumentation, the saving of the managers' work time, the systemic approach of information; the delivery of representative criteria for personnel assessment, the modeling of employee behavior, the indicators shown represent the basis of the reporting data within the permanent dialogue between hierarchical structures in order to take the right corrective measures. Each beneficiary of the scoreboard will try to exploit it to the maximum, reason for which he will review all the indicators, noting the warning signals for deviations from norms or standards which correspond to the objectives.

Among the disadvantages of the use of the scoreboard, we mention: the favoring of redundancies in the informational system, by the repeated recording of the same information categories, the relatively high consumption of time and resources for the

elaboration of the scoreboard, including the relatively high costs.

Costs, time and quality represent the foundation of managerial accounting which stresses the processes and their improvement. Thus, the scoreboard is the instrument by which the management monitors the processes performed in the company and formulates an opinion on their evolution.

5. Conclusions

Following a detailed analysis of their use in advanced countries, we believe that the utility of scoreboards resides in the fact that they retain relatively little data, being synthetic and allowing the acceleration of the information circuit. At the same time, they display partial indicators of the most important activities, selected firstly according to the criterion of representativeness and they supply volume related data and information, which do not always appear in the syntheses that other informational structures produce. Last, but not least, scoreboards make a connection between the nature of the data supplied, the responsibilities taken, accounting and extra-accounting information and the very short interval in which information is supplied represents the means serving current managerial actions.

By the use of the scoreboard, the purpose of managerial accounting must be found in an efficient use of resources, according to the objectives of the institution. It also acts for the quantification of performances, it draws a realistic state, so that the decision maker is able to take corrective measures in due time, equally contributing to the orientation of his future actions.

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Geographical Indications

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Abstract

“The denomination of origin” may be the name of a region, a specific place or country used to describe an agricultural or food product. “The geographical indication” may be the name of a region, a specific place or a country, used to describe an agricultural or food product. The indication of provenance and the denomination of origin serve to identify the source and origin of goods or services.

Key words: Geographical indications, region, product

J.E.L. classification: K11

1. Introducing the Main Concepts

The indications of origin or the denominations of origin do not have yet universally accepted definitions; thus [1]:

- in accordance with the Madrid Agreement, the indication of origin indicates the place where a product originates;

- in accordance with the Lisbon Agreement, the denomination of origin is a geographical name used to designate a product originating in that region or place, and whose quality or characteristics are due exclusively or essentially to the geographical environment; therefore the denomination of origin is a special case of indication of origin [2];

- under the directive of the European Economic Commission, the geographical indication is the name of a place where the product originated and whose defining quality is attributable to that geographical origin;

- under the Committee of Experts Conference of the World Intellectual Property

Organization (WIPO), the geographical indication of origin means the indication and denomination of origin;

- but according to the General Agreement on Tariffs and Trade (GATT), the geographical indication is used to cover the denomination of origin;

- finally, in accordance with Law 84/1998 on trademarks and geographical indications, the geographical indication is a name serving to identify a product from a country, region or locality of a state where a given quality, reputation or other characteristic may be attributed essentially to that geographical origin [3].

In the following, we will consider that the geographical indication includes the indication of origin and the denomination of origin and that the denomination of origin is a special case of the indications of origin, and that the content is the concept of geographical indication in the [4] European Economic Commission Directive and, respectively, in the law on trademarks and geographical indications.

The indication of origin is any denomination, expression or sign indicating that a product or service originates from a country, region or a particular place (e.g. “made in ...”). In principle, the use of false or misleading indications of origin is illegal [5].

The denomination of origin is the name of a country, region or specific place which serves to designate the origin of a product, its main characteristics which are due exclusively or essentially to the geographical environment; in other words, the natural and / or human factors.

The indication of origin and the denominations of origin serve to identify the source and origin of goods or services. However, the denominations of origin have

an additional function. While the indication of origin shows only the product origin, the denomination of origin also shows the special features of the product, which are due to the geographical area of origin. Moreover, while any expression or sign that evokes the geographical source of a product (such as a national emblem) may be an indication of origin, the denomination of origin is always a geographical name (usually the country, the region or place where the product originated, although in some cases it may refer to a specific geographical area, without specifying its name).

The use of an denomination of origin is permitted only to certain circles of people or businesses located in the geographical area and only for certain products in that area. "Champagne", "Cognac", "Roquefort", "Chianti", "Pilsen", "Porto", "Sheffield", "Havana" Tequila ", " Darjeeling " are examples of well known names associated with products of a certain kind and quality [6]. A common feature of all these names is represented by their geographical correlation, i.e. their function to designate existing places, cities, regions or countries.

However, when we hear today "Champagne", we think about sparkling wine rather than to a French region; "Cognac" is related to "eau de vie", matured in oak barrels rather than to a small town than in France; "Chianti" makes us think about an Italian red wine and not about a region south of Florence; "Pilsen" reminds us of a beer and not of a city in the Czech Republic and a "Tequila" reminds us of a liquor distilled from a cactus and not of a city in Jalisco State, Mexico.

These examples show that geographical indications can acquire a strong reputation, making them valuable trade goods. For this reason, they are often exposed to counterfeiting or forgery and the misapplication of their protection - both national and international - is highly desirable.

But for the law on drawing, there is probably no other category of intellectual property law which comprises such a variety of concepts relating to protection, as in the area of "geographical indications", which is relatively new and which has recently appeared in international negotiations.

The legal recognition and protection of indications of origin and denominations of origin is of general interest. They pass on to consumers important information about the geographical origin of goods and services and, indirectly, about the native quality and characteristics of these products.

Therefore, if used properly, geographical indications can help the public in decisions regarding the purchase of goods, decisions on which they frequently have a strong influence. However, the misuse of geographical indications may mislead consumers about the geographical source of goods and services, sometimes causing them serious harm.

Moreover, an entrepreneur who illegally uses a geographical indication is not only misleading the consumers, but he is also obtaining unfair advantages over competitors, even over those from the geographical region specified by indication, causing them, at times, a partial or even a total loss of their clientele and reputation symbolized by that indication.

The geographical indication is a distinctive sign, which gives a right of use. The right on the geographical indication is territorial, collective, inalienable and imprescriptible [7].

2. Conditions for the protection of geographical indications

In accordance with art. 67 para. (1) of Law no. 84/1998, the geographical indications of products in our country are protected by their registration with OSIM, according to the law or the international conventions to which Romania is party.

Geographical indications may be used only by the persons who produce or sell products for which the indications were recorded. A geographical indication registered in the name of a producer may be registered under the same conditions of any other association.

For protection [9], there must exist a close connection between the goods referred to by the geographical indication and the place of origin thereof with regard to quality, reputation or other characteristics of the goods. A geographical indication cannot be protected only for the mere fact that the

goods to which this refers have the place of origin in a certain region.

In case of homonymous geographical indications for wines, each indication shall be attended by the denomination of the association of producers of said wines. The protection shall be granted for each geographical indication, provided that said geographical indication is used traditionally and constantly, in order to describe and present a wine produced in the geographical zone to which it refers.

Those geographical indications which are protected in our country under certain international interventions are not subject to the registration procedure established by law.

Within the meaning of Art. 70 letter b) from the Law no. 84/1998 it is generic and cannot be protected as geographical indication:

- the name of a product which does not comply with the provisions of the law;
- the name of a product which represents generical names of products;
- the name of a product which misleads the public on the nature, origin and quality of the product;
- the name of a product which is against public order or common sense;
- the name of a product which, although refers to the place or region wherein the product was initially manufactured, produced or marketed, became a common name for a special type of products [10].

On the other hand, a registered geographical indication may not become generic and will not fall into the public domain.

3. Ways of obtaining the protection of geographical indications

The ways of obtaining the protection of geographical indications are, according to art. 67 paragraphs 1 and 2 of Law no. 84/1998 [11]:

- their registration to the State Office for Inventions and Trademarks, under this law or international conventions to which Romania is a party;
- through bilateral or multilateral agreements concluded by Romania. The list of geographical indications recognized in Romania will be registered at the State Office

for Inventions and Trademarks in the National Register of Geographical Indications and published in the Official Bulletin of Industrial Property. These indications are not subject to the registration procedure regulated by Law no. 84/1998.

Among the international conventions which protect the denominations of origin there is the Agreement between Romania and the European Community on the reciprocal protection and control of the name of wines, signed on 26 November 1993, ratified by the Government Ordinance no. 16/1994 (approved by Law no. 120 / 9 December 1994, Official Gazette no. 346/1994).

According to art. 2 paragraph 2 of the Agreement, a “geographical indication” is an indication, including an denomination of origin, which is recognized in the laws and regulations of a contracting party for the service and presentation of the wine originating in a Contracting Party or in a region or locality in that territory, where a given quality, reputation or other characteristic is essentially attributable to its geographical origin.

The denominations of origin are protected under the Agreement by:

a) With regard to wines originating in the Community:

- references to the Member States where the wines originate;
- terms referred to in art. 1 of C.E.E. regulation no. 823/57 which comes with special provisions relating to the quality of wines produced in specified regions;
- the following terms referred to in art. 1 of C.E.E. regulation (C.E.E.) no. 823/87 which contains special provisions relating to the quality of wines produced in specific regions:

(i) the terms “quality wine produced in a specified region”, including the abbreviation „quality wine psi” and the equivalent terms and abbreviations in other Community languages;

(ii) the terms “quality sparkling wine produced in a specified region”, including the abbreviation “quality sparkling wine psi” and the equivalent terms and abbreviations in other Community languages, and “Sekt bestimmter Anbaugebiete” sau “Sektb.A.”

(iii) the terms “quality sparkling wine semi-Produced in a Specified region”,

including the abbreviation “quality semi-sparkling wine psi” and the equivalent terms and abbreviations in other Community languages;

(iv) the terms “quality liqueur wine produced in a specified region”, including the abbreviation “quality liqueur wine psi” and the equivalent terms and abbreviations in other Community languages;

- the following terms referred to in Regulation (EEC) no. 4252/88 on preparation and marketing of liqueur wines produced in the Community “vino generoso”, “vino generoso de licor”, “vino dulce natural”, “vino dulce naturale”, “vinho doce natural”, “vin doux naturel”;

- the geographical indications and traditional terms listed in the Annex; (art. 4 Ordinance no. 16 of January 14, 1994 ratifying the Agreement between Romania and the European Community on the mutual protection and control of wine and the Agreement in exchange of letters between the EU and Romania establishing the mutual tariff quotas for certain wines);

- the terms referred to in Regulation E.E.C. no. 4252/88 on the preparation and marketing of liqueur wines produced in the Community;

- the geographical indications and traditional terms listed in the Annex to the Agreement;

b) Regarding the wines originating in Romania:

- the name “Romania”, “Romanian” or any name used to indicate the country;

- the geographical indications and the traditional terms listed in the Annex (COTNARI, PIETROASELE, MURFATLAR, MEDGIDIA, NAZARCEA, CERNAVODĂ).

As for the wines in Romania, their regime is now established by Law no. 67/1997, which classifies them into:

i) Wines for current consumption.

ii) Quality wines.

Depending on their quality level, determined by the production area, by the variety or assortment of varieties, and by the technology applied, quality wines may be: superior quality wines — VS having an acquired alcoholic strength of at least 10% by volume; and wines with denomination of origin, having minimal acquired alcoholic strength of 10.5% by volume. Superior

quality wines — VS may be exported under generic denominations of *Landwein*, *Vin de Pays*, *Country Wine*, or other similar ones, with mention of the recognized geographic indication.

iii) *Special wines*.

A wine may bear a denomination of origin, provided that it is traditionally consecrated and that it has a good reputation due to its quality characteristics resulting from natural and human factors (art. 18 and 19 of Law no. 67/1997).

Wines with denominations of origin may be obtained by following special conditions relating to: production area, variety or assortment of varieties, the sugar content of grapes at harvest, and the natural alcohol strength of the wine, the maximum yield per hectare, methods of culture, winemaking procedures, analytical and organoleptic examination, packaging, labeling and inspection.

Denominations of origin may be granted to some special wines and other wine products that meet the requirements of Art. 15 of Law no. 67/1997 [8].

The wines with denomination of origin are made from grapes produced within the area defined for the name approved by the minister of agriculture, provided that the wine production, the storage, conditioning, maturation and bottling are carried out only within the area reserved for the production of the respective wine. For the production of wines with denomination of origin by using this procedure, the blending partner with sugar reserve should come from the same delimited production area, and the sweetening operation is to be carried out only within the area reserved for the production of the respective wine.

In special cases, the Ministry of Agriculture and Food Industry may, through the O.N.D.O.V. and with the advice of the O.N.V.V. authorize that the ageing of the distillates and the bottling of the aged distillates should be made outside the area delimited for the denomination of origin claimed, on condition that the brandy be turned to account under the denomination of the place of production of the grapes used as raw material, and of distillation as well as with the indication of the unit in which the ageing of the distillates and the bottling of the aged distillates of wine were made.

The right to produce wine and other products based on “must” and wine with denomination of origin, in a certain area, is granted by the certificate of attestation issued by the bodies authorized for this purpose. The producers right to use denominations of origin for certain lots of wine produced shall be granted yearly by the O.N.D.O.V. by the issue of *certificates of attestation of the right of marketing wines with denomination of origin*.

The issue of these certificate shall be made in keeping with the following procedure:

In plantations recognized as being adequate for the production of wines with denomination of origin, following elements of the vinegrowing technology shall be checked annually by probing and at the most suitable moments: pruning system and number of fertile eyes per vine, level of grape yield, phytosanitary condition of the plantation, carrying out of irrigation on the basis of an approval, other elements provided by decisions of granting the right to make wines with denomination of origin.

After the grapes are harvested, respectively not more than 15 days after the end of must fermentation is finished, and not later than December 1 the producers of grapes and of wines shall hand in at the territorial office of the O.N.D.O.V. a vintage declaration for placing on record the wines considered apt to evolve as wines with denomination of origin.

After not more than six months since the end of the winemaking process, wines placed on record on the basis of vintage declarations shall be subject to an organoleptical examination and to a summary laboratory analysis. The wine samples sent for analysis shall be provided by the producers of wines on their own responsibility, while they should represent wines sampled by lots of types. The amount of wine produced from each sample sent for analysis shall be communicated, with indication for the vessels in which the wines are stored.

The analyses shall be carried out by authorized laboratories, and the organoleptical appreciation shall be carried out by the tasting panels acting under the authority of the O.N.D.O.V.

The wines apt to evolve as wines with denomination of origin shall be placed on record by the territorial office of the O.N.D.O.V., and shall be followed up during

their stages of storage, conditioning, maturation, and ageing. The evolution of their quality and composition shall periodically be followed up by probing, by laboratory analyses, and organoleptical appreciations made by authorized laboratories. If there should be found that certain wine lots have lost their valuable features of quality and composition, they shall be removed from the ranks of those entitled to receive a denomination of origin.

De-classification of a high quality wine with denomination of origin shall be made at the producer or merchant whenever it shall be found that the wine has modified in a negative sense its organoleptical and composition features, no longer fulfilling the conditions established for the respective wines. The de-classification shall be made as a result of the information of the representatives of the bodies with attributions along the line of the quality control of the products as well as at the written request of the producers or merchants. It shall be carried out on the basis of the verifications performed on the spot and of the results of the physico-chemical and organoleptical assays made by authorized laboratories.

The evidence wine stocks with denomination of origin is held by the manufacturer, which is required to enroll in a special register all deliveries of wine, up to the certified amount.

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Central Banks' Unconventional Policies within the Context of the Most Critical Global Financial Crisis of the 21st Century

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Abstract

The accelerated deterioration of the worldwide economic climate which occurred as a consequence of the deepening financial crisis following the Lehman Brothers bankruptcy in the autumn of 2008 created a new context in which most central banks were forced to come up with unprecedented solutions. They drastically reduced the monetary policy interest rates up to a historical minimum level and adopted a number of monetary policy measures widely acknowledged as unconventional. Under these circumstances, our study aims to carry out a qualitative analysis of the most important „unorthodox” monetary policy measures (adopted by eight representative central banks) as well as to emphasize the differences among the various concepts used to illustrate these measures in the economic literature as well as in practice.

Key words: central banks, unconventional policy, interest rate policy, balance sheet policy, financial crisis.

J.E.L. classification: E42, E44, E50, E52, E58

1. Introduction

Both the financial system and the real economy were seriously affected by the intensification of the international financial crisis determined by the Lehman Brothers bankruptcy in the autumn of 2008 and, consequently, *the monetary policy transmission mechanism* was seriously damaged, an aspect which nevertheless endangered the central banks' capacity to meet their monetary policy fundamental

objective. Under these circumstances, monetary authorities reacted firmly by reducing the directing interest rates to a historical minimum level. The incapacity of central banks to re-establish the functionality of the financial system when the level of the directing interest rate was close to 0% proved the limit of the *mainstream* monetary policy.

In the new context imposed by the international financial crisis, the responsible decision making authorities in the field of monetary policies had to adopt a series of measures widely acknowledged as „unconventional”, „non-standard” or „unorthodox”. Considering the fact that it is the first time when central banks make use of such unconventional instruments, we may regard this attitude as a monetary policy „mutation” which occurred as a consequence of the global financial crisis which broke out in 2007. The central banks' new approach met for and against opinions as well and created numerous topics of debate among both academics and practitioners.

This paper aims to carry out a qualitative analysis of the representative „unorthodox” monetary policies adopted by central banks, through the perspective created in the specialized literature by Borio C. and Disyatat P.

2. The conceptual frame for the analysis of unconventional monetary policies

Due to the fact that they lack a conceptual frame, the various versions of unconventional monetary policies have sometimes generated confusion among theorists and practitioners.

Borio and Disyatat [3] propose a categorization of the non-standard monetary policies adopted by the authorities in various forms specific to *balance sheet policies* according to two criteria: a) the impact of the measures on the balance structure of the private sector participants; b) the target market segment. Thus, according to these, the policies based on balance are categorized into: exchange rate policies, quasi-debt management policies, credit policies and bank reserve policies.

The classification proposed by Borio and Disyatat could help us understand the multitude of terms used in the economic literature, media, practice etc. A specific term, often used in scientific circles as well as in media, is *quantitative easing* (QE). It was first used to describe the operations of the Bank of Japan in the 2001-2006 period. Although this term can be easily associated (and sometimes used as a synonym, as shown by Bernanke [2]) with the above-mentioned bank reserve policies, there are situations when a more complex definition is required.

According to Ugai [7], QE is an approach of the monetary policy which can be described from three perspectives: a) explicit targets of bank reserves; b) a conditional responsibility to maintain future high levels of reserves; c) acquisitions supported by governmental bonds to enable the achievement of objectives regarding bank reserves. According to these characteristics, in Borio's and Disyatat's vision, QE is a mix between bank reserves policy, the quasi-debt management policy and a strategy for signaling future intentions.

The Bank of England, through QE measures, points to the acquisition of both public and private sectors assets by using the financial resources of the central bank [1]. According to this approach, the characteristics point to the policies of bank reserves, quasi-debt management policies and credit policies.

Other specialists [5] [6] have excessively used this term by associating it with any central bank operation which determines an increase in reserves, irrespective of whether the level reached by these operations was explicitly proposed or not. This approach is not found in any of the balance based policies proposed by Borio and Disyatat.

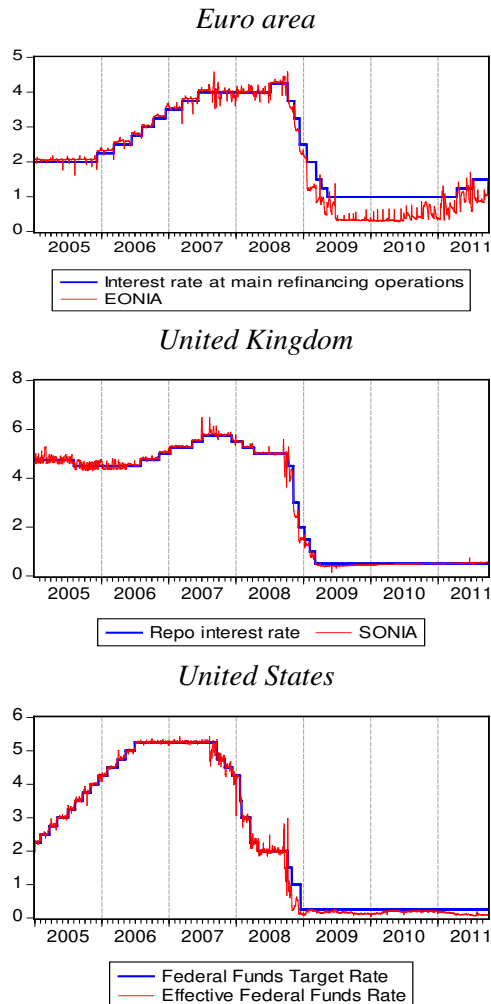
Another term, frequently used in the global financial crisis context is *credit easing* (CE). Bernanke [2] used it to describe the range of credit and bonds acquisition programmes enacted by the Federal Reserves starting with the second half of 2007. The term refers to the credits granted to all private sector financial institutions, either banks or non-banks, and to the acquisitions of bonds issued by the Treasury as well as by *government-sponsored enterprises*. Therefore, in Borio's and Disyatat's vision, *credit easing* represents a combination between the credit policy and the quasi-debt management policy. Although we might be tempted to point to the bank reserves policy as well due to the fact that these acquisitions and credit operations are financed by extending bank reserves, we are not going to do so since the increase in reserves does not represent an explicit target but a mere consequence. Bernanke also draws attention to the distinction between QE and CE and stresses on the fact that the two concepts are similar only in terms of their impact on the central bank balance, that is, on its expansion.

The European Central Bank has also implemented a number of unconventional monetary policies meant to „support financing conditions and credit flows to a greater extent than what could be achieved by reducing the representative interest rates of BCE" [12]. The set of measures, mainly focused on banks (considering the fact that banking institutions represent the main source of finance for the real economy in the euro zone) are generally known as the *enhanced credit support*. According to the annual report [12], the main purpose of the constant support of credit (ECS) was to minimize the negative effects, exerted by the malfunctions of the monetary markets, on the euro zone banks liquidity situation. Since the bank credit is utilized most of the times and due to the fact that the adopted policies have a significant impact on the BCE exposure profile to the private sector debts, we may frame these measures within the credit policies area.

3. Non-standard policies adopted by some central banks

The intensification of financial tensions within all segments of the financial market, following the Lehman Brothers' bankruptcy, has determined firm reactions on behalf of governments and central banks. Thus, on October 8, 2008, six representative central banks took action in an unprecedented manner by reducing the directing interest rates (as in the cases of FED, ECB and Bank of England, which can be seen in Figure 1). This decision was subsequently adopted by other central banks in the world, monetary policy interest rates thus reaching the minimum historical level.

Figure 1. Monetary policy interest rates and money market rates in 2005-2011



Source: Eurostat, Bank of England, Federal Reserve Bank of St. Louis authors' calculi

Considering the fact that monetary authorities were incapable to re-establish the functionality of the financial system by using the monetary policy standard instruments, they finally decided on working with some less conventional instruments, adapted to the economic structure and to the peculiarity of the financial system. An exhaustive list of these unconventional measures would mean keeping a record of tens of programmes in almost every advanced economy as well as in numerous emergent economies. Due to this reason, we shall use the above-discussed conceptual frame and we shall stress on the major unconventional monetary policies adopted by some representative central banks (see Figure 1).

As far as the *exchange rate policy* (as a form of „unorthodox” monetary policy) is concerned, an important number of central banks in emergent economies (Mexico, Brazil, Hungary) adopted its specific measures and the reason why they did so was to fight against the negative effects of sudden conversions of capital flows and of the powerful pressure it resulted in the currency falls. Moreover, the central bank of Switzerland turned these interventions into common practice, repeatedly intervening on the currency markets (by buying foreign currency in unlimited amounts) in order to diminish the powerful pressure and to trigger the rise of the Swiss franc (upward pressure); these efforts were mainly directed towards reducing deflationary risks and relaxing the monetary market conditions.

Due to the fact that tension persisted on financial markets, some central banks (Federal Reserves, Central European Bank, the Bank of England and the Bank of Japan) implemented monetary policy measures specific to the *quasi-debt management policy*. These consisted in governmental bonds direct acquisitions and were meant to influence *benchmark yields*. Both Federal Reserves and the Bank of England performed important acquisitions, concerted by governmental bonds. The Bank of Japan extended the range of eligible guarantees and performed simple acquisitions of Japanese governmental bonds in order to stimulate the economy; according to a bank report, this was not meant to influence the long term governmental bonds efficiency but „to create the necessary conditions to perform

operations on the monetary market without syncope" [13]. In Europe, as a consequence of the alert growth of the *spreads* between governmental bonds with a ten year maturity, issued by some euro zone members and the governmental bonds issued by the German state (which reached record levels in the history of UEM in April and the beginning of May 2010; see Figure 2), BCE announced on May 9, 2010, a new set of „unorthodox" measures, entitled *European Financial Stability Facility* (EFSF). In this sense „the beginning of interventions in the governmental bonds markets with the purpose of maintaining the adequate transmission of the monetary policy towards the real economy in the euro zone, by reducing the disfunctionalities in some segments of the assets markets" was decided. According to the provisions of the Treaty, „the governmental bonds acquisitions performed by Eurosystem were strictly limited to the area of secondary markets" [12: 21].

As observed in the above figure, during the period marked by financial turbulence, the analyzed central banks adopted the *credit policy* specific monetary measures. Among these, we may distinguish a first group of measures adopted before the Lehman Brothers bankruptcy in September, 2008, which were focused on *diminishing the tensions on the interbank monetary market* (these tensions had unfavourable effects on the liquidity situation of sound banks). Thus, in order to reduce the short-term *spreads*, which were extremely wide on the interbank monetary market, and to enable the transmission of the representative interest rates towards the monetary market and towards the active interest rates of credit societies, central banks increased the short-term liquidity offer and adopted a series of measures destined to solve the potential problems which might occur in the fluent distribution of bank reserves. These measures consisted in:

- variations in facilitating the *discount window*;
- relaxing the collateral eligibility conditions. Before the worsening of the situation on the financial markets, central banks such as FED, BoC or BoE, as compared to other banks (eg. BCE, BoJ, SNB or Riksbank) were very strict with

regard to the collateral eligibility when the provision of liquidities was involved. They normally accepted only governmental bonds or the equivalent of market operations. Once the financial crisis intensified, the demand of the participants in the market for *assets* which could be accepted as a guarantee by the monetary authorities grew considerably, a reason for which they became scarce resources. In order to be able to cover the liquidity need on the markets, monetary authorities extended the list of assets acceptable as a guarantee. By including certain assets in the spectrum of eligible guarantees, central banks managed to provide the necessary support in an indirect, though almost surgical form, to certain market segments;

- extending the list of counterparties to the central banks' operations. The crisis intensification affected the market participants' trust to such an extent that the financial resources were no longer distributed fluently among the credit institutions. For example, the banks which did not perform transactions with monetary authorities lacked credibility in front of the other banking societies, thus being difficult for them to access loans from the latter. By extending the counterparty list, central banks became able to directly address a bigger number of banking societies;
- providing long-term maturity liquidities (this segment of financial markets was deeply affected). Since the *spread* between the long-term interest rates and *overnight* interest rates increased rapidly, the monetary authorities reacted by extending the maximum maturity term of the exceptional refinancing operations from relatively short periods of time (usually *overnight* or after 1 week) up to three months (as was the case of FED) or a year (as was the case of other banks);
- establishing new mutual currency agreements (*swap* lines) between central banks in order to diminish the pressure exerted by external markets financing (especially in dollars);

- introducing new programmes or relaxing the conditions of the already existing credit programmes for high liquidity assets (especially state bonds) in counterparty with less liquid assets in order to improve the financing conditions on the monetary market credit [4].

The other unconventional measures (which form another group) specific to *credit policy* were adopted as a consequence of the intensification of the financial crisis which followed the Lehman Brothers collapse. Unlike the ones in the first group, these measures were directly focused on *counteracting the more and more strict credit conditions in the non-banking sector*. Therefore, the adopted measures included offering financial resources to non-banking societies in order to improve liquidity and to reduce risk on the afferent markets (eg. The trade effects market, the asset guaranteed titles markets or the corporate bonds market). Additionally, in order to strengthen the support already granted to the mortgage market, Federal Reserves bought direct bonds issued by housing-related government-sponsored enterprises.

Up to this moment, the Central Bank of England was the only one to implement monetary measures specific to the *bank reserve policy*. The operations performed by this bank (part of the „assets acquisition facility”) were focused on increasing the monetary mass, that is „the monetary policy instruments were focused rather on the cash quantity than on its price (the directing interest rate)” [8]. Even though the Bank of England does not have a quantitative explicit target for bank reserves, it treats them (i.e. bank reserves) as a vital element in its strategy for „quantitative easing”. Bank reserves have increased in other banks’ balances as well (eg. Federal Reserves, BCE or SNB) but despite this fact, the levels which were reached represented side effects of active operations.

In terms of conventional measures in monetary policy, reaching the previously communicated interest rates imposed performing financial liquidity management operations in order to satisfy the more and more unstable reserve demand on the market. Also, in order to stabilize the monetary policy short-term interest rates,, the Bank of England Federal Reserves and the European

Central Bank narrowed the *overnight* rates corridor by modifying the levels of the permanent applied facilities at the end of the day. Moreover, in order to manage the liquidities in the system, central banks issued debt titles (the Bank of England and the Central Bank of Switzerland) or interest carrier deposit certificates (BCE, the Bank of Japan, the Central Bank of Australia) and thus Federal Reserves took over a considerable amount of deposits and paid interest to the compulsory minimum reserves (the Bank of Japan implemented the *Complementary Deposit Facility* programme in order to pay the interest for excessive reserves).

4. Conclusions

In the context created by the most critical global financial crisis of the 21st century, monetary authorities adopted a number of less „orthodox” policies which ultimately turned into a controversial topic of debate among representatives of scientific circles as well as among political factors of decision. This paper has managed to pattern the conceptual frame for the analysis of these unconventional monetary policy measures from C. Borio and P. Disyatat’s perspective (which draws a line between the standard interest rate monetary policy and the balance-based monetary policy). By this approach, we have analyzed the various concepts used to define the monetary policy non-standard measures (eg. *credit easing*, *quantitative easing* or *enhanced credit support*) and we carried out a qualitative analysis of the main unconventional monetary policy measures adopted by 8 representative central banks.

Table 1. Monetary policy measures adopted by central banks during the financial crisis

*	Form of monetary policy	Monetary policy measures	FED	ECB	BoE	BoJ	BoC	RBA	SR	SNB
INTEREST RATE POLICY	<i>Focused on achieving the fundamental objective established through monetary policy orientation</i>	Smooth regulation operations	✓	✓	✓	✓	✓	✓	✓	✓
		Narrowing the corridor for <i>overnight</i> rates	✓ ¹⁾	✓	✓					
		Interest payment for compulsory minimum reserves	✓			✓ ²⁾				
		Issuing the Treasury's deposit certificates	✓				✓			
		Short-term deposits and debt titles of central banks		✓	✓	✓		✓	✓	✓
BALANCE SHEET POLICIES	The exchange rate policy	1 Securities' acquisition in foreign currency								✓
	The quasi-debt management policy	2. Long-term governmental bonds acquisition	✓		✓	✓				
	The credit policy <i>Focused on the interbank market conditions</i> <i>Focused on the non-banking sector and generally on the financial conditions</i>	3. Variations in facilitating the <i>discount window</i>	✓		✓					
		4. Exceptional operations for long-term re-financing (O _e RTL)	✓	✓	✓	✓	✓	✓	✓	✓
		5. Relaxing the eligibility conditions of the collateral	✓	✓	✓	✓	✓	✓	✓	✓
		6. Extending the counterparty list	✓		✓	✓	✓	✓	✓	
		7. Extending the mutual currency agreements (<i>FX swap lines</i>) between central banks	✓	✓	✓	✓	✓	✓	✓	✓ ³⁾
		8. Introducing or easing of conditions for the securities' lending programmes	✓		✓	✓	✓			
		9. Direct intervention in the commercial paper market	✓		✓	✓	✓	✓		
		10. Direct intervention in the asset-backed securities market	✓		✓		✓			
		11. Direct intervention in the corporate bonds market			✓	✓	✓			✓
		12. Direct intervention in the mortgage market	✓							
		13. Direct intervention in the share market				✓				✓
		14. Direct intervention in the guaranteed bonds market	✓ ⁴⁾	✓	✓ ⁴⁾					
		15. Providing liquidities to some financial institutions						✓ ⁴⁾	✓ ⁴⁾	
	The bank reserves policy	16. Targeting a certain level in the central bank's reserves			✓					

Note: FED = Federal Reserve; ECB = European Central Bank; BoE = Bank of England; BoJ = Bank of Japan; BoC = Bank of Canada; RBA = Reserve Bank of Australia; SR = *Riksbank*; SNB = Swiss National Bank; ✓ = yes; blank space = no.

* The monetary policy stance: conventional or not.

¹⁾ The decrease in the *discount* rate according to the rate targeted by federal reserves

²⁾ The interest rate payment for excessive reserves through the *Complementary Deposit Facility* programme.

³⁾ The central Bank used *swap* lines to diminish the powerful pressure and to increase the value of the Swiss franc on external markets. The other central banks signed mutual currency agreements in order to be able to provide US dollars liquidity.

⁴⁾ Providing liquidities to certain financial institutions: a) Bear Sterns and American International Group in the United States; b) Kaupthing Bank and Carnegie Investment Bank in Sweden; c) UBS bank in Switzerland; d) the Royal Bank of Scotland, HBOS, Northern Rock in the United Kingdom.

Source: National data

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Economic Crisis Effects Reflected in the Mass-media Speech

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Abstract

Considered as the fourth Power in the state, mass media succeeds in transforming by the power of information the entire planet into a "global village", rendering by specific means the crisis and after-crisis situations, the dramas that the world economy is facing on a micro and macro scale.

The fact that mass-media influences upon the dynamics of the society is a well known fact, however how does this influence take place has been and still is one of the studies of communication scientists.

Mass-media has the capacity to shape the perception of the individuals, groups, institutions and that of the entire society. Also, media has the capacity to coagulate the public opinion and how the image of the world is perceived by modifying attitudes and feeling, reaction implicitly leading to a change in the way individuals and the entire society act and this reflects to the economic environment as well.

Key words: Crisis, mass-media, communication, crisis management, organization

J.E.L. classification: D21, L21, M14

1. Introduction

Mass-media is a constant dynamic presence to the big and small happy or tensioned moments from the humanity's recent history. Considered as the fourth Power in the state, mass media succeeds in transforming by the power of information the entire planet into a "global village", rendering by specific means the crisis and after-crisis situations, the dramas that the

world economy is facing on a micro and macro scale.

Mass-media is managed by a small number of people who misinterpret or elude from the media discourse those information producing mutations in the general speech of the public opinion, sometimes with well-intended pacifist purposes not to alarm the public with fatalist rumors, at other times with hidden purposes which do not intend to awake the attention of the sleeping force, the public opinion.

Many professionals consider that mass-media has and will have an important role in re-launching the global economy and in finding viable solutions to the working places problem, of the security and of lasting solutions.

The recovery of the economy, some analysts say, directly depends on the media active role on a global level, but especially on a local one. Analysts consider that by stimulating on a local level the communities by a pyramidal type of operation, downwards to upwards, positive results will be obtained.

Using the mass-media a coordination of each government's efforts is wanted and of each public agency in respect to the current world's problems.

In the mass-media there have been many alarm signals warning the decision organizations, economic and political factors: governments, banks, corporations, on the speculative nature of investments and shares, but such signals did not have an echo determining significant moves.

The issue of public relations in the context of the International crisis involves the resolution of the issues encountered in the economic and social space, and now more than ever it is necessary to solve the cascades of tensed situations generated by the crisis.

The generated situations must be solved in accordance to the industry situation and the existing straightening conditions. Due to the fact that entire industries are affected by the after crisis effect measures should be taken to remake and reconstruct the affected public image.

2. Media macro models as indicators of the crisis situations

The way how mass-media influences the entire society is still a problem particularly interesting the social sciences scientists. To the question if there is a mass-media influence on the society, the researchers' answer has been unanimously affirmative. Nevertheless, to the question how the mass-media influence is working on the opinions, attitudes and individual behavior, the researchers' answer is varied and analyzes the issue from multiple points of view. Knowing the way how mass-media can influence the public opinion, the decision factors, the governments, corporations etc, we can use these channels to address in crisis and after crisis situations to efficiently communicate and to minimize the economic and social crisis effects. The communication process has effects on the entire society and culture. The media effects, called long-term effects or indirect effects, can be analyzed by means of macro models. These, unlike other analysis models, are centered on the research of social roles and the mass-media interaction which are contained in the ideologies, opinions climate and knowledge differences [5]. Generally, the media macro effects are analyzed from the perspective of the three theories dominating the scientific research in the communication area: agenda – setting (agenda theory), Schwigespisale (silence spiral theory) and theory of differential knowledge (theory of cognitive abyss) [2].

The uninterrupted media stream to which the public is subject to produces effects both on a short term and on a long term with visible results on the economy. Media communication places in the center of attention the social issues, the other persons or subjects of debate, the other aspects are left in the shadow. Mass-media sets the public agenda by filtering the information and imposing subjects of debate. Depending on the ratio of mass-media and the public

there are two types of agenda: media agenda and public agenda. The agenda theory is based on these two models. Media selects certain information and enters them into the priorities agenda, and the public begins to be interested by those preferred subjects on the media agenda and writes them down on their own agenda. Media agenda underlines the aspects and interest granted to certain information, and on the other hand, researchers have found that public agenda does not look into one direction only, the public has three types of agenda in accordance to what they consider to be important for them and for the society: the intrapersonal agenda, the interpersonal agenda and the community agenda[5].

The second important theory, the silence spiral, starts from the fact that the public opinion pressure the individual to alter his behavior and not to confess his own opinions. The reason why people change their behavior is the fear of exclusion and isolation, that is why, the majority's opinions are more important, in contrast with the personal opinions [9]. This type of social pressure and oppression is responsible for generating many crisis situations. In our contemporary society dominated by the mass-media, this type of altering the opinions is frequent. Noelle-Neumann considers that mass-media, but especially the television due to its non-selective character, have great influence upon the receiver [8].

The researcher uses three key terms in explaining its theory: accumulation, consonance and public character of the information. The accumulation refers to the media omnipresence which feeds with information repeatedly thus influencing the receiving process.

The content of the media messages is flattened by the repeating and standardization of messages concentrating the attention on the same subjects. The second term, consonance, refers to the tendency of aligning oneself to a majority opinions trend. This aligning trend can be observed, says the researcher, both in case of mass-media and the public. The latest term, the public character of the information, regards the silence as a social phenomenon. Noelle-Neumann asserts that people who have the feeling that their opinions are supported and shared by the majority of people, are much

braver in expressing their point of view in public unlike the persons who consider that their opinion is pertaining to a minority and therefore could suffer a defeat [5].

The third theory, the theory of the cognitive abyss and of the differential growth of knowledge, must be looked at within a vision upon the social role and of the media influence.

Mass-media certainly influences the dissemination of the information with positive effects upon the public. There are also negative effects due to how the public understand to access and manage the information received from the media creating an abyss between the ones who access the information, those who know, and those who do not access the information, and do not know. The first category of public, "those who know", is made of people with higher education who have a superior capacity in decoding the messages. Such people are in the loop on the social phenomena and gather the information mainly by reading the written press. The second category, "those who do not know", connect to the information source mainly via television. The media consumption of people is in close connection with the level of culture and education. The social- economic status generates a certain consumption model, the ones with a higher statute accumulate more knowledge and faster than people with a lower status [7].

3. Delimitation of the crisis term in the context

In the international current context more than ever it is needed to define the terms and to deeply understand the phenomena that can be generated by the crisis and the way they can be managed. The word is not strictly used in the legal, politic and philosophical speech, but has a much wider semantic area. This is encountered in medicine, in Hypocrite's treaties, and is, also, encountered in the religious speech when it refers to decoding the ritual messages. [1]. In time the semantic area of the word semantic area has widened entering the working area of several subjects. The studies centered on researching the crisis can be separated into three major directions: from a psychological point of view – aiming to research the clinical cases; the economic-political dimension – which is

concerned with the identification and defining the crisis, the differences appear though in the way how each subject understands to look at the crisis situation and to follow up certain component elements[1].

In the political sciences space, specialists consider that there are three big categories of crisis: system crises, government crises in taking decisions and crises of international confrontation. The economic field regards the crisis as a dysfunction, an interruption of the economic dynamic with serious consequences upon the economic growth.

Of course in the space of each field of social sciences specialists have tried to define their own reference area.

Crisis is defined by the specialists as: "A turning point either good or bad" [3]. "A major fact with a negative potential capable of affecting the organization, company or the industry, also it can affect the public, the product, services or other goods" [3]. "A major event with an unpredictable character which can escalate producing negative results. The event and its consequences can significantly affect the organization and its employees, products, services, financial situation and reputation" [3]. "A crisis can be defined as an unpredictable event, a major threat which can have negative effects on the organization, industry, or its shareholders if the crisis is not managed properly. A crisis is unpredictable, but not unexpected. Wise organizations are aware that they are vulnerable in front of crisis but they cannot anticipate their appearance. Crisis hit unexpectedly and this gives them an unpredictability and surprise element" [3]. "There are though exceptions from this rule there are some crisis warning early their appearance" [4].

The majority of these definitions can be grouped into two approaching directions regarding the crisis issue. One direction regards the crisis from the point of view of factors leading to the triggering of the crisis, mainly the external environment, and the second approach centers on the human perspective, the way how people look at the organization affected by the crisis.

Generally, specialists consider crisis as an unexpected event, a disturbing phenomenon with severe consequences in the dynamic and evolution of the society [1].

Another perspective is that of the researchers who consider that these crises are not due to random facts, but they are the consequence of some existing dysfunctions in the organization. This approach considers the crisis not as an inexplicable and isolated event, but as a result of deposited dysfunctions which can be fixed by the organization. It can be thus spoken of an accumulation of dysfunctional events which lead to a crisis and not by a surprise event, still the crisis can appear as a surprise as well. The real problem is not to predict the moment of the crisis and its manifestation form, but more important is to identify the hidden problems which can generate a crisis [11]. They consider that an important factor worthy of being taken into consideration is the impact that the crisis has on the entire industry scale. The problem generated by the crisis situation appeared in a certain organization can impact on the entire industry. Thus the industry in its whole is strongly affected and has massive financial losses, and in order to recover the organizations must work together.

The crisis can have a different dynamic depending on certain circumstances which make it specific: length, intensity and the way it is perceived by the public and mass-media[10].

Organizations can be looked at, in the context of crisis and the dynamic of events, as: victim organizations, guilty organizations and in extreme cases criminal organizations which due to their desire of maximizing the profit they hurt the public.

The crisis, must be underlined, is not a random fact, which cannot be prevented, but has its own dynamic, it evolves in accordance to a specific pattern that makes it predictable.

The evolution of crises and how they are perceived by the public and mass-media is in the specialists' center of attention, that is why they must know and manage this type of events in an adequate way by recognizing the patterns of the crisis situations evolution.

Specialists consider that the evolution of a crisis has an initial accumulations period which become to manifest violently in the punctual period of the crisis itself and is followed by a post-crisis period. By following the set of phenomena accompanying the crisis, researchers have considered that this, in fact, can be

fragmented in a different number of stages: three stages, four or even five stages, depending on the importance they consider to own different factors who influence or could influence the crisis dynamic. Generally, the specialists in public relations agree that the first three stages are the same with the before-crisis periods, crisis and post-crisis but they consider that there must be certain special stages as the one of: prevention, detection, evaluation or learning [7]. These stages are important for the future of the organization and the way it will manage the future problems, incidents or accidents so that these do not deposit and build a new crisis. The organization must learn from its own mistakes and transform a tensioned and negative situation in a winning and progress factor. Some specialists assert the hypothesis that the crisis appearance can be a positive factor in the organization development. Although this statement may seem as a paradox many researchers underline the fact that the crisis situation cannot be exclusively defined in negative terms. The crisis is defined as a major disturbance, a fracture of the organization dynamic, creates management and stress issues, but can be considered an opportunity.

In one of his works, Gerald Meyers considers that an organization in a crisis situation can benefit from seven opportunities: a crisis can generate "heroes" if it is correctly guided and it is centered on certain people who outstand themselves during such tensioned moments; crisis can be a dynamic change factor, being known that organizations in their inertia sometimes hardly accept changes; crisis is an accelerator determining that long ignored problems become visible, and thus, to be solved; crisis determines changes among people, this refer to people's mentality and to change among the staff; the crisis by the pressure upon the organization determines that it approaches new strategies; crisis determines the organization to better prepare in the identification, prevention and managing the crises; crisis regenerates the organization by the measures taken to reestablish the institution and, as a consequence, the organization positively develops by learning from its own mistakes [9].

4. Conclusions

During crisis situations, mass-media can become an ally or a detractor, and that is why it is important that the decision factors understand the potential that lies behind the media.

The economic and politic decision factors should build plans including how media channels will be managed in the crisis situations. Also, to know how media can help to release the tension, clarify and, not in the least, to put the public opinion at ease regarding the dynamic of newly emerged tensioned situations. Understanding the media mechanisms but also the way how media can influence the society is a key element which can obviously alter the global economic and politic dynamic.

Communication specialist, John Hartley [11] said that "News comes to us as a pre-existing speech of an impersonal social institution, but which is at the same time an industry. From the moment we are familiar to its codes and conventions, we become "news literate", capable not only to watch it and to recognize the familiar characters and events, but also to spontaneously interpret the world in the terms of the learned codes through it". We perceive reality and we interpret the world, partly, by means of the values scale that news made us accustomed to. These are defined and shaped in accordance to the mass-media characteristics where they appear: written press, radio or television.

Mass-media speeches are not simple texts, but they are full of intentions and ideologies, which persuade ideas by means of words. The journalistic speech produces and manipulates a diversity of messages which try to build and to empower the reality of the world produced in its messages. Creator of symbolic goods, mass-media institutions are aware of the limits of their messages caught in the linear presentation game-the representation of reality.

The news stories group around six major subjects: politics, economy, international relations, local news, occasional news and sports.

Using in an efficient way the communication qualities of mass-media imply an efficient crisis management. This must be one of the priorities of any organization looking into the future.

Projecting a plan to detect the crisis, prevention, controlling and learning, is useful to any organization that aims to remove the imminence of major crises that can be generated major breaks in the organization dynamic. Maintaining the information flow, the active implication into the public life, developing managing policies to prepare the organization in an efficient way to be able to react in an efficient way in crisis situations must be on the working agenda of the visioning organization. This preparation of the organization for the future must take into account the social factors and mass-media active implication in order to make the economic environment able to successfully handle the moment when another crisis triggers.

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National Economic Advantage - The Role in Creation and Development of Competitive Clusters

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Abstract

Nation's standard of living in the long term depends on its ability to attain a high and rising level of productivity in the industries in which its firms compete.

Good productivity not only supports high levels of income but allows citizens the option of choosing more leisure instead of long working hours. It also creates the national income that is taxed to pay for public services which again boosts the standard of living.

Interest in the 'cluster' concept has been especially apparent in economic development policy, as seen in the increasing support for cluster development at both national and sub-national levels. Cluster policies have proliferated over the past decade - both those clearly designated as such and related policy initiatives such as regional innovation strategies and measures to support local production systems.

Key words: productivity, competitive advantage, competitiveness, clusters.

J.E.L. classification: O47

1. Introduction

Apart from the theories of the international trade, firm's development was explained by a series of other theories that showed the reasons that could determine a company to expand, not only within the national borders, but also beyond them. The theories of the international trade have failed to explain why firms choose a specific location instead of another, why they prefer the production abroad and not the export towards another country. On the background of the expansion of large firms and the theoretical approaches to analyze market imperfections, a category of theories trying to extend the limits of the international trade theories and to explain foreign direct investments have emerged.

The principal economic goal of a nation is to produce a high and rising standard of living for its citizens. The ability to do so depends not on the amorphous notion of "competitiveness" but on the productivity with which a nation's resources (labor and capital) are employed. Productivity is the value of the output produced by a unit of labor or capital. It depends on both the quality and features of products (which determine the prices they can command) and the efficiency with which they are produced.

2. Conceptual issues of national advantage

Advantages offered by specialization, explained by the **theories of absolute advantage** (Adam Smith, 1776) and **of comparative advantage** (David Ricardo, 1817), and later by the theory of factor endowments, have been taken and adapted for the level of the firm.

The theory of absolute advantage brought to the attention for the first time the possibility for a country to produce cheaper a given product than another country. In this case, countries' specialization in the production of goods with smaller costs and the trade of the production surplus was beneficial for both countries. Although it represented a major step in demonstrating the benefits of specialization, Adam Smith's theory could not offer the same perspectives for the countries that did not pose an absolute advantage for any category of products.

From this situation, David Ricardo demonstrated that specialization is possible and beneficial even when a country doesn't pose an absolute advantage in the production of any good. Resources' allocation toward those goods that can be obtained cheaper than others and their export

can bring benefits to both countries. This was a major demonstration that fundament the theories developed later, regardless of the fact that they confirmed, enriched or contradicted the hypotheses of the comparative advantages theory.

At the beginning of the 20th century, two Swedish researchers Ohlin and Hecksher argue that the difference between countries is given by the production factors, and the products are different because of the production factors incorporated. According to the model (**Ohlin – Hecksher factor proportion theory**), a country holds a comparative advantage and thus will export the product that incorporates the abundant production factors in the respective country. Thus, the more abundant a production factor is, the cheaper it becomes. So, the difference in the production factors is given by the difference in their prices, generating the competitive advantage.

Technological developments in the '60-ies and the substantially ample development of multinationals lead the specialists to look for new theoretical fundamentals that explain the complex evolutions of the international trade. Of much interest is the new **theory of competitive advantages** launched in the last decade of the last century by Michael Porter in his book "The Competitive Advantage of Nations". Porter's diamond, as the fundamental elements of the theory were called, represents an economic model that explains why some industries become competitive in certain situations. The diamond has four constitutive elements, plus two factors of influence: production factors, demand, support industries, firm structure and competition at branch level, governmental regulations and the chance. The theory of competitive advantages considers those six elements interact one with each other, allowing the creation of those combinations to enhance competitiveness' increase.

The development of transnational companies from certain countries and industries verify some applications from Michael Porter's theory. In media, for instance, American firms have a higher level of competitiveness. They come from a market where advanced production factors are very well emphasized, meet a sophisticated demand from buyers with strong purchasing

power and requirements, where upstream and downstream industries function without problems, and the competition within the industry is extremely high.

3. How we create and sustain the competitive advantage?

A firm must understand what it is about its home nation that is most crucial in determining its ability, or inability, to create and sustain competitive advantage in international terms. But the same question will prove to be a decisive one for national economic prosperity as well. As we will see, a nation's standard of living in the long term depends on its ability to attain a high and rising level of productivity in the industries in which its firms compete. This rests on the capacity of its firms to achieve improving quality or greater efficiency. The influence of the home nation on the pursuit of competitive advantage in particular fields is of central importance to the level and rate of productivity growth achievable.

But we lack a convincing explanation of the influence of the nation. The long-dominant paradigm for why nations succeed internationally in particular industries is showing signs of strain. There is an extensive history of theories to explain the patterns of nations' exports and imports, dating back to the work of Adam Smith and David Ricardo in the eighteenth century. It has become generally recognized, however, that these theories have grown inadequate to the task. Changes in the nature of international competition, among them the rise of the multinational corporation that not only exports but competes abroad via foreign subsidiaries, have weakened the traditional explanations for why and where a nation exports. While new rationales have been proposed, none is sufficient to explain why firms based in particular nations are able to compete successfully, through both exporting *and* foreign investment, in particular industries. Nor can they explain why a nation's firms are able to sustain their competitive positions over considerable periods of time.

Productivity is the prime determinant in the long run of a nation's standard of living, for it is the root cause of national per capita

income. The productivity of human resources determines their wages, while the productivity with which capital is employed determines the return it earns for its holders. High productivity not only supports high levels of income but allows citizens the option of choosing more leisure instead of long working hours. It also creates the national income that is taxed to pay for public services which again boosts the standard of living. The capacity to be highly productive also allows a nation's firms to meet stringent social standards which improve the standard of living, such as in health and safety, equal opportunity, and environmental impact.

The only meaningful concept of competitiveness at the national level is national productivity. A rising standard of living depends on the capacity of a nation's firms to achieve high levels of productivity and to increase productivity over time. Sustained productivity growth requires that an economy continually *upgrade* itself. A nation's firms must relentlessly improve productivity in existing industries by raising product quality, adding desirable features, improving product technology, or boosting production efficiency.

4. From competitive advantage to competitive clusters

Porter observed that competitive success of companies in particular 'fields' coincided with strong clusters. Porter is unequivocal in defining success in terms of productivity and productivity growth relative to rivals. The above definitions correspond to the question Porter wished to answer regarding the location of successful international competitors. Although Porter set out to identify the causes of national competitive advantage, it is not the only context in which the cluster has relevance. Clustering is appropriate for considering related but distinct issues of industry and regional development that include business and/or industry origins, evolution and decline.

The nature of interconnection can vary across cluster members, which makes a simple definition challenging, but the impact of interaction is seen in the contribution made to cluster members' individual and overall competitiveness. A cluster may

include producers of goods or services, their specialised suppliers, service providers and any associated institutions, from industry or trade associations to universities and standard-setting agencies, normally within the boundaries of a country or across a region. Cluster members may compete with other members in their field or support the competitiveness of other cluster members by resource-sharing.

A key feature of Porter's cluster concept is that co-operation as well as competition underlies cluster activities allowing member firms to have higher productivity than would otherwise be possible.

The essence of the cluster concept has its roots in work on what Marshall, as far back as 1890, called 'externalities of specialised industrial locations' (Marshall, 1920). Somewhat paradoxically in the current context of increasingly globalised markets, firm location and interdependence are significant explanations of their competitive performance according to cluster theory.

Location is one of the few sources of differentiation that competitors outside a cluster are unable to imitate. Porter's cluster concept includes elements of location, competition, cooperation and strong relative performance in a manner that was not otherwise conceptualised, but recognising that: "most past theories address particular aspects of clusters or clusters of a particular type".

The identification of locations with a distinctive business environment that influences how individual businesses choose to compete is a novel feature in Porter's work. The cluster emerges from Porter's analysis of the quality of the economic environment of a location for business and an appreciation of the concept requires that it be placed in this broader context.

The factors that Porter included in his 'Diamond' framework for competitive advantage (the microeconomic business environment of firms and clusters) facilitate or hinder the development of successful firms and clusters.

Each 'Diamond' element may influence the other elements to generate an environment conducive, or not, to successful business performance.

The cluster emerges 'naturally' as the result of interactions of 'Diamond' factors in a location and "the nature and depth of clusters varies with the state of development of the economy". The cluster is intrinsically linked to and defined by the system of features described by the 'Diamond'.

Porter argues that where strong clusters exist, they enhance productivity. Yet not every firm operates, or is presumed to operate, within what may be classified as a strong or active cluster.

For a group of interrelated firms to qualify as a cluster four conditions must be met:

1. Proximity: Firms must be close enough geographically to allow for positive spillovers to be enjoyed and/or for resources to be shared;

2. Market Relationship: Firms must have a common goal (e.g. meeting the needs of the same market), or requiring highly skilled specialised labour in a specific field to benefit from interaction.

3. Active Interaction: Active relationships must be developed for positive cluster effects to emerge; and

4. Critical Mass: A sufficient number of participants must engage in active interactions before any meaningful or significant impact on company performance results. The number depends on the particular cluster, its location, its target market etc.

The three issues at the heart of cluster-based analyses - competitiveness, productivity and innovation - can usefully be considered by perceiving the economy as organised around clusters.

These issues are also central to policy concerns, as evident in Europe's goal of becoming the world's most competitive and dynamic knowledge-based economy in the world by 2010 (as stated in the Lisbon goals). There appears to be a broad consensus that sound macroeconomic performance is necessary but insufficient to achieve productivity improvements across the EU and microeconomic issues are increasingly centre stage in policy discussion on competitiveness improvements. The sources or explanations of performance, and its absence, may be found from the examination of clusters and the characteristics of location, competition and cooperation that define them which are grounded in the microeconomic features of an economy, as organised in the

The analysis of economies as systems of clusters, based on 'Diamond' conditions, affords policymakers an explicit framework on which to organise focussed policies and launch initiatives across main cluster players, from companies, to state agencies, universities, labour unions or industry associations, based squarely on how businesses conduct their competitive and co-operative activities. Cluster analysis focuses on important inter-firm linkages, complementarities, and spillovers in terms of technology, skills, information, marketing (among others) that describe the ongoing dynamic process of how firms compete. Such linkages and the actual and potential external benefits clusters can generate point to a scope for joint actions by companies, industry groups and/or government to support cluster development.

A cluster-centred view of economic development poses particular challenges for policymakers.

It makes redundant the notion that any specific industry or sector should be targeted by industrial policy since all clusters have the potential to contribute to prosperity and emphasises that business support programmes should best be structured to enhance the competitiveness of groups of related firms rather than individual businesses. Cluster-based thinking accords contributory roles to domestic and foreign companies which are both important in securing productivity improvements. The role of the policymaker in cluster-based economic development is to relax any identified impediments or constraints to productivity and to emphasise and enhance the cross-company linkages and complementarities that facilitate and generate business competitive advantage. This almost certainly implies a role for more cluster initiatives at sub-national and local levels and the development of trust not only by leaders and members of such initiatives in the policy sphere but also in the businesses that populate clusters since they are conduits for information and inputs on the barriers they face to developing their cluster.

For cluster-based economic growth, it is not the role of policymakers to impose cluster development on un-cooperative businesses. Should businesses themselves view clustering as a feasible and beneficial

activity that could increase their probability of achieving competitive success, then facilitation could be provided through state and business representative agencies with requisite responsibilities for supporting business development.

5. Conclusions

The only meaningful concept of competitiveness at the national level is national productivity.

A cluster may include producers of goods or services, their specialised suppliers, service providers and any associated institutions, from industry or trade associations to universities and standard-setting agencies, normally within the boundaries of a country or across a region.

Cluster members may compete with other members in their field or support the

competitiveness of other cluster members by resource-sharing. The three issues at the heart of cluster-based analyses - competitiveness, productivity and innovation - can usefully be considered by perceiving the economy as organised around clusters.

6. Acknowledgement

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The Role of the Accounting Professional in the Management of the Economic Crisis

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Abstract

The present paper is focused on the accounting professional's role in the management, confinement and lessening of the consequences of present economic crisis. The article presents some considerations about how the financial – accounting information can be used by an economic entity in order to survive the recent changes within its economic and financial environment.

Key words: professional accountant, financial crisis.

J.E.L. classification: M41- Accounting.

1. Introduction

The accounting professionals have an important role, as they ensure the credibility of the accounting statements, and the accounting profession must take an active part in the counseling of the businessmen and be a support for the evaluation of the present and future events. The most discussed problem of the present time is the financial crisis, which inevitably affected Romania as well, and the accounting profession could be considered an essential element in the minimalization of the effects of the crisis. The present crisis leads to an increase of the need for quality accounting services, enhancing the role of the accounting inside the entity, transferring over to him some of the responsibilities of the management.

2. The importance of the accounting information

The present economic situation determines the companies to search for solutions to

continue their activity in optimal conditions to avoid bankruptcy. The businessmen should be aware of the great importance of the accountant for the financial management, as well as for the monitoring the health of the company and increasing of the lucrativeness of the company they manage. The accounting professional can be consulted in order to optimize the costs, to find proper solutions for assets management, debt restructuring, a better management of the cash flow and, not the least, for the drawing-up of the financial statements. The economic instability make some measures necessary, as the strict control of all the economic operations, a responsible resource management, filtering and lowering the costs, within the possibilities, and the adjustment of the strategies to the new market conditions. Below are mentioned a few of the financial-accounting solutions to be considered by an accounting professional in order to diminish the effects of the crisis at the company level.

To respect the accounting standards

First of all, the accounting professional must make sure that the accounting standards are respected for each situation they analyze. The importance of complying with the accounting standards, foundations of the independent accounting profession, is the warrant for a modern and achieving professionalism, capable to answer to the most pressing requirements. Building the trust in the national regulations, but also in the International Accounting Standards are other responsibilities of the accounting specialist. In the present situation, of economic instability, it is crucial to find the legal possibilities that an economic entity has in order to save time and money, and not only does the real accounting professional work accurately, but he is also needed to counsel his clients about the opportunities offered by legislation.

To assess the tangible assets of the company

The accounting professional has the responsibility to prudently verify the sums in the statements of the company, to reevaluate all the previous estimations referring to the assessment of the assets from the balance, because the future economic benefits coming from the assets' estimation may differ comparing to the previous years. On the other hand, according to the current accounting regulations, the accounting value of the assets cannot significantly differ from their just value (according to IAS 36, 'Impairment of Assets'). In this respect, the impairment test can be applied to check if the carrying amount may be in excess of the greater of the net selling price and the value in use of those assets.

To calculate and rationalize the costs

The economic and financial crisis obliges to a detailed analysis of the production, sale and management costs. For this matter, the management accounting is a source of information at hand for managers, revealing them the key aspects of the activity of a company which provide them support for planning, organizing and control of the activity they manage. Accounting management provides information required by managers to survey the production process and creates the premises for keeping track of the expenses and actual salaries at the level of the productive unit.

The manufacturing costs are important due to the fact that they determine the price and, hence, the price decisions are based on them. The managers analyze most often the possibility to economize, especially on the level of the employed staff, but also on the level of administrative costs, such as office rent or commuting expenses (daily allowances, lodging). One solution could be the limited employment, the limited employment contract. It would be recommended to start cost and profit centers. A distinct department as a cost center the cost can be much more easily and identified and more objectively distributed, and the profit centers are able to identify the profitable activities.

To calculate and analyze the sales figure

A skilled accounting professional can also be a good financial analyst. He is able to and must analyze the financial-economic state of

the company, to analyze its costs, revenue, sales figure, to determine the cash-flow, to find ways to maximize its profits and solution for any occurring problem. The analyze of the sales figure on the level of the clients, of the stages of the products' life cycle, reported to the demand and the production capacity direct the decisions about the future placement of the economic agent. The accounting professional is able to inform the management about the ranking of the sales figure, regarding the overall activity or the products, about the ways to increase profits, the main sources of revenue and ways to vary it. A lower sales figure during a period of crisis does not necessarily mean that the company has become less competitive, but it indicates a transformation of the volume of the entire market that imposes an adjustment of the activity to the reduced demand of the respective period.

To analyze the liquidity and solvability

Managers need information about the financial risks, counseling about credit opportunities, warning about the virtual insolvencies, they need analyses of the solvency, liquidity and financial flexibility of the company, etc. During a period of economic crisis, the most frequent problem the managers have to face is the lack of liquidities. The accounting professional is able to minutely analyze the causes that could lead to lack of liquidity. Every business decision aimed to protect against economic crisis has financial effects, and that is why the managers must have accurate calculations in order to direct the resources towards those actions that are able to maintain liquidity and safeguard the company beyond the dangers that can appear in the macroeconomic environment. Thus, it is necessary to make available for the managers a detailed and multipurpose analysis of the claims and debits of the company. The clients and accounts receivable of the company must be closely surveyed, especially in order to determine their financial status and to decide accordingly whether to continue or cease the relationship. During a period of economic crisis, it is also advisable to access inexpensive financing sources, to re-finance the existing loans for the lowest costs possible, to finance the investments from long term (or at least six-month term) investment loans.

To suitably manage the cash-flow

Most of the financial problems the companies have are connected with the drop of liquidity due to improper matching of the cash receipt and disbursement. The cash receipt and disbursement must be matched in time, so that to keep the company out of trouble and to ensure the equilibrium of the balance of payments, which is absolutely necessary in order to increase the capacity to create profit of any monetary unit. The accounting professional is the one who counsels the manager and help him understand the difference between cash-flow and profit. Errors of profit forecast may appear, due to independent causes, which can cause the profit to be present in writing and not in fact, as cash. The accounting professional, together with the head of the institution, can set out a corresponding management of the cash-flow, by careful choice of those providers who promptly deliver the orders, so that the activity can function with minimal stocks, by organizing efficiently the collection of the value of the merchandise sold, ensuring a minimal period for debt recovery in order to avoid the risk of deficit of liquidity, by simplifying and speeding the operations of cash and payment and comprising the cycle of buy-pay-sale-cash. Managers need to ask all the time information about the fluctuations of the available cash to be able to find opportunities of profitable investment when the cash allows or to remedy the situation in case of deficit. Planning of treasury on terms of payments and revenue will lead to the increase of outcome and of profitability of an economic entity. As during the crisis the cash-flow of the economic agent cannot be regular, some of the activities have to be reorganized and some solutions are imposed, such as: leaving off all the unnecessary expenditures, stocks optimization, a credit policy which could stimulate payments, etc.

Fulfillment of predictions

Prediction, but more than that, planning are mental creation activities through which the managers, regardless of their hierarchical level, connect the necessities and the opportunities to the present and past reality. Prediction is one of the basic functions of accounting, involving the perception of the future economic events and economic process based on financial information within a

relevant time limit. In order to obtain a realistic prediction, the accountant must consider the financial state of the company, of the third parties and the governmental policies.

3. The accounting professional - warrant of the quality of the accounting information

The competence and qualities of the accounting professional

During the economic crisis, the qualities of a good accountant are prudence and professional competence. In the given situation, the accountant must profess prudence and responsibility, as he does not simply provide accounting services, but are also expected to help the companies to surpass the economic impasse they are crossing at present. By competence is generally understood the capacity of a person to pronounce a judgment about a phenomenon, based on thorough knowledge of the matter in question. The accounting professional must provide professional services carefully and assiduously and is constantly subjected to the expectations of a client or employer, so he is expected to prove a high level of knowledge and professional attitude. The accounting expert is a well-informed counselor, able to bring added-value to the economic unit. He must be honest and fair in the professional services he provides, he must be impartial, he must respect the confidentiality of information he acquires and must comply with all his professional requirements. The accounting profession is represented by undertakings of financial and accounting nature which compete for the achievement of important objectives and tasks of the economic units and other patrimonial units. The main attribution of the accounting profession in Romania is organization and drawing-up of the statements for the economic agents, self-employed persons or legal entities within the legal circumstances, and the basic normative act that governs this activity in our country is the accounting law, law 82/199. The accounting profession must take the challenges of the new technologies, and the accounting professional should be capable to access, check and list the information from

the accounting data base. Managers, and users of accounting information in general, need relevant, understandable, consistent and, most of all, comparable information, presented in a universal accounting language. The accounting professional must be able to provide financial information starting from the data of the economic transactions and he must be able to interpret and analyze, to certify and validate that information as well. The financial-accounting information provided by the source – which is the accounting professional – can offer a bird's eye view over an economic entity; they influence the decisional process of the manager and should be able to lead, within a company, towards problem solving, by identifying the causes and alleviation of the effects of a problem.

Assisting and preparing taxation services

The accountant is needed for the assistance and preparing of the tax statements. The accountants make the monthly, trimestrial, semestrial or annual statements and present them to the entities that required them. Each financial statement or VAT declaration, etc., require the completion of forms following formal rules, which, if not respected, need to be done again and the delays of filing are amended and penalized. Because of that, the taxation services for the Romanian economic units are undertaken by accountants, because this profession, excessively regulated, is subordinated to the taxation interests even from the beginning of the regulation process. A great deal of the time dedicated to the accounting activity is allotted to the study of the accounting legislation and regulation, which change constantly, because their knowledge is vital for the quality of the accounting services. Apart from solving the various issues concerning the various state organisms, a good accountant must help with the financial aspects of the business.

Preparation of the financial statements

The mission of the chartered accountant in a company is, before other current duties, to prepare and, according to the situation, to organize and manage the financial-accounting activity which ensures the preparation and creation of the financial statements. The preparation of the balance sheet require the presence of the accountant for every operation going on in the entity, to monitor and notice, firstly for the rigorously and

legality of the assets exploitation and than for the accuracy of the reflection of every management act in accounting process and in the financial statements. Having a multidisciplinary formation, doubled with experience, the accountant is able to intervene with evaluations and valuable propositions in extremely varied domains of competence. Such a professional intervention needs to be regulated by internal norms of competence and professional norms of the institutions and professional unions. The image of the institution reflected in the financial statements depends on the professionalism and objectivity of those who build this image, and equally of the correct perception of the message transmitted by the accounts from the users of the accounting information. The intelligibility of the financial statements also depends on the professional accountants, and they must strive to present financial statements which are understandable for as many of the users as possible, using a simple structure. The role of the accounting professionals is, among others, to increase the reliability of the information comprised within the financial reports.

4. Conclusions

The accounting professionals are the first of the specialists involved in the activity of a company, because the first to get a piece of information in a business unit is the accountant. The role of the accounting professional in periods of economic crisis derives from the role of the accounting profession, which is different from other professions because it takes responsibility in front of the public interest for all the parties interested in the activity which takes place in a company: shareholders, employees, suppliers, creditors, budget by financial reporting characterized by transparency, relevance, consistency, comparability and reliability. The accountants are able to help the managers in their endeavor to lead the company in the troubled waters of the economic recession. A qualified accountant plays an important part in the welfare of a company. One of the main roles of the accountants is that of attentive observers of the ways the resources are used and the results are obtained at the company level.

By his activity, the accountant must reflect reliably, clearly and completely the financial position of an economic unit, this aspect being an important matter which differentiates the accounting professionals among themselves.

Good financial reflections of the economic situation, provided by the accountant, help managers to surpass the economic crisis, to obtain funds and to attract investors. We consider that the success of an economic entity relies on the ability of the accounting professional to put to good use the financial-accounting information and to deliver them in optimal time.

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The Global Crisis' Impact on the Romanian Banking System

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Abstract

In our paper we would like to make a detailed presentation on the way the world economic-financial crisis has affected the banking system in Romania.

Key words: economic-financial crisis, banking system, credit balance, loan balance
J.E.L. classification: G21, G28

We will start by saying that, beginning with the autumn of 2008, we have witnessed a considerable diminution of the credit and especially of the retail credit, due to the restrictions established by the Romanian National Bank (BNR) during the second half of the year 2008, "concerning the limitation of the credit risk, for the credits meant for natural persons." [Badea, 2010, p. 193] Simultaneously, some of the banks gave up offering certain credit products, especially in exotic currencies.

Actually, when the crisis began to be felt, the credits' cost sensibly increased because of the worsening of the economic environment and because of the drawing in of increasingly rare and expensive financial resources. The population diminished its appetite for credit, both because of the increase of the credit cost, and because of the uncertainty concerning what tomorrow might bring, as the unemployment level increased. In exchange, people began to put money aside, as the interest rates for the bank deposits turned excessively positive. So, the banks passed from the ecstasy and the euphoria of the last few years to agony, with the number of the bank institutions decreasing by over 90 and with over 3,000 employees from the banking sector losing their jobs. However, the prudentiality indicators remained within the stability limits, even though some of them worsened,

while the profitability of the banking system continued to be positive, although the profit dwindled to a considerable extent. A fact worth mentioning is that no bank of the Romanian banking system went into payment default, during the crisis. The increased capitalization of the banking system has assured, according to the Romanian National Bank's report, the preservation of a capital at comfortable levels.

So, the solvency ratio grew from 13.76% in 2008, to 14.67% by the end of 2009, going significantly over the minimum level granted by the regulations. Actually, all the banks in the system recorded a solvency ratio over 10%, this being considered as the minimum level, during the validity of the financing agreement with the EU, IMF and other international financial institutions.

Under these circumstances, we have analyzed the reaction of the Romanian National Bank. So, here are its first measures: in order to diminish the "hunger" of lei, BNR decreased the percentage of the minimum obligatory reserve by 2%, in this way injecting significant sums and lending "a finger" to the banks; yet, according to the Romanian proverb ("Îi dai un deget, și îți ia toată mâna." / "The one to whom you lend a finger will want to take your whole hand"), what followed was the banks' desire to take "the whole hand" as they requested that this percentage should continue to decrease. Simultaneously, BNR increased the monetary policy interest rate on seven consecutive occasions (from 7.5% to 10.25%), in order to alleviate the inflationist pressures.

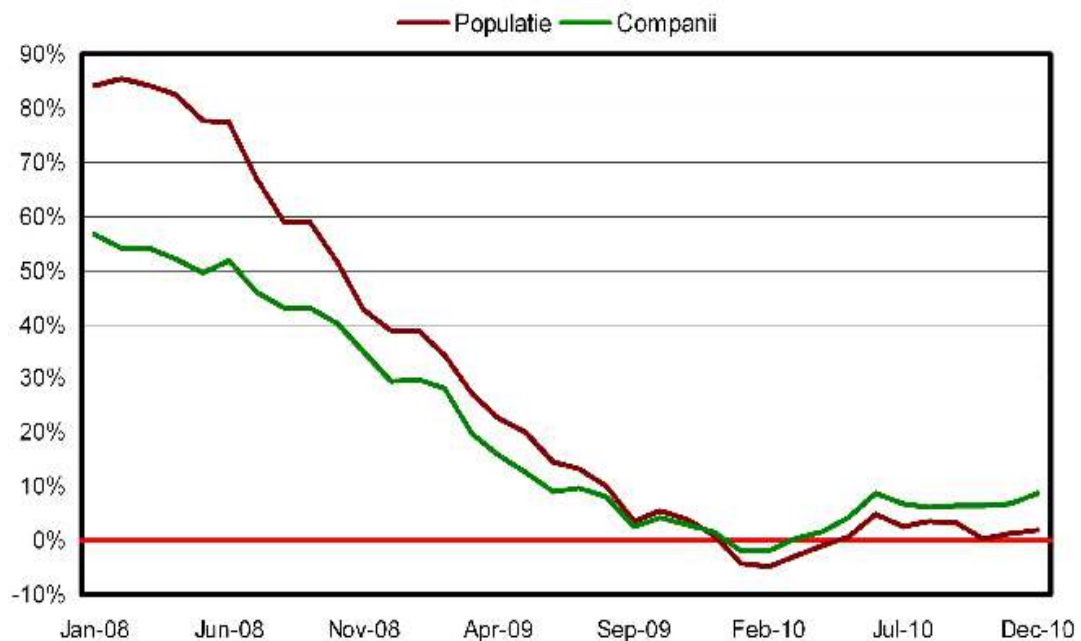
The interest rates on the market grew significantly, and we witnessed, during a first stage, their exaggerate growth on the interbank market, which at some point triggered a conflict between the central bank and certain banks in the system, suspected of causing an artificial liquidity crisis, after an attack by certain external speculators on the Romanian foreign currency exchange market.

A second stage concerning the interest rate increase took place through an increase both for the credits and for the deposits. If until the autumn of 2008 the banks competed with one another concerning the credit products, later on the competition occurred in point of drawing in resources from the population. The interest rates attained historic levels, determining at the same time an increase of the costs for newly granted credits. This phenomenon was due largely to the dwindling of the credit lines received by some countries from abroad and to the increase of the price of these resources, as Romania's credit rating went down. So, from the first signs of crisis until the end of November 2008, the banks in Romania increased the credits costs twice as much as their sister banks in the region, the margin used by them for the calculation of the variable interest rate for mortgages becoming

the highest in the central and south-east European region.

On this background, a very worrying situation occurred, namely the substantial increase of the non-performing loans. So, due to the internal economic and financial context, the Romanians became increasingly more bad payers, and a significant “contribution” to this phenomenon was certainly due to the banks as well. And on top of it all, the beginning of the year 2009 welcomed us with record levels of devaluation of the Romanian national currency in relation to the euro, the exchange rate going over the level of 4 lei for one euro. If we look at the evolution of the loans for a longer period of time, we can notice that the increase rhythm of the credit balance continually decreased since the beginning of the year 2008 until the first part of the year 2010, after which a timid comeback occurred.

Graph no. 1 – Evolution of the total credit balance, during the period 2008-2010 [%]



Source: www.businessday.ro

In our opinion, the main obstacles hindering real estate credits were the following:

► Some residential centers were built chaotically, without any access to an adequate infrastructure, and, from this point

of view, the quality of the real estate warranties is not adequate from the perspective of the bank risk management;

► The banks in the system had less and less liquid resources available, which were necessary for credits, as the mother banks

became thriftier and more expensive when they refinanced their subsidiaries in Romania;

► The exchange rate for the national currency went through a strong devaluation trend, determining the potential contractors of mortgages in foreign currencies to think twice before deciding to invest;

► The resources drawn by the banks for financing the credits became more expensive, as the cash available on the monetary market decreased, and so the interest rates for mortgages in lei and foreign currencies increased significantly;

► The political instability contributed as well to the aggravation of the uncertainty;

► The international economic crisis had a say in the Romanian economy as well, through a contagion effect, many Romanians losing their jobs and at the same time the possibility to become potential mortgage contractors. At the same time, in some sectors there have been salary diminutions and the perspective of such trends continues to exist. So, the diminution of the revenues of the employees in the budget system, who, for the banks, represented an important category of clients, had an essential contribution in the preservation of a descending credit trend;

► Due to the increasingly precarious economic conditions, the ratio of the nonperforming loans granted to the population also increased, exerting pressure in this sense on the banks' solvency and liquidity.

That is why we consider that not everything can be blamed on the Romanian National Bank (BNR), as the banks, according to the Romanian saying, “should have had a chariot built during the winter and a sledge built during the summer” (“trebuiau să-și facă iarna car și vara sanie”).

Practically, before the Regulation no. 18 concerning the limitation of the credit risk for natural persons came into force, the banks had given free rein to an aggressive loan distribution campaign, and now they have to face the consequences of their own actions. However, at this moment we can notice a fact that can inspire hope, namely that concerning the population, the last eight months of the year 2010 were months of growth, and concerning the companies, the annual increase rhythm of the loan balance has been positive for the last ten months.

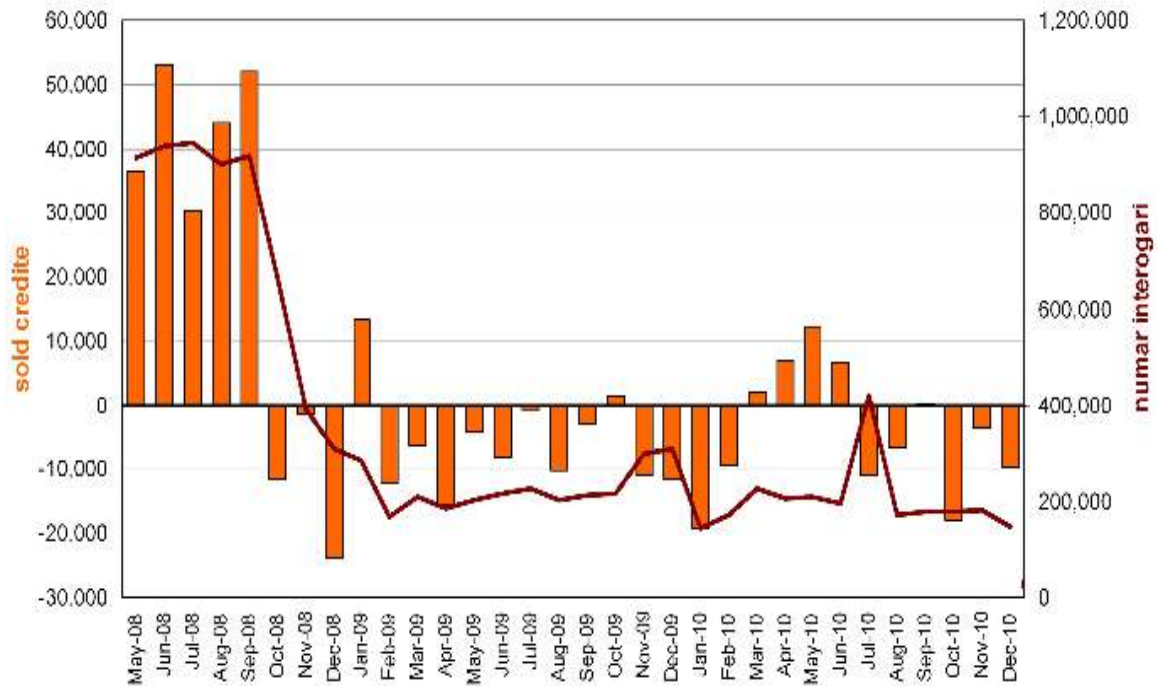
On the other hand, the loan balance for consumer credits concluded by natural persons has been free falling for two years, the general ascending trend being supported only by mortgages, supported in their turn by the program “The First Home” (“Prima Casă”). In 2011, the impact of this program will be much more limited, the government offering the banks warranties of only 200 million euros.

Also in the case of the loans granted to companies, the evolution of 2010 was not very encouraging, so that the loan balance for the companies in agriculture grew by 10.7%, the loan balance of the companies in the industrial sector grew by 9.6%, while the increase in the construction sector was of just 5.6%.

For the year 2011, one can expect that the loan balance increase rhythm will continue to remain anemic, as the economy shows no serious re-launch signs.

According to BNR data, during the month of December 2010, the banks carried out a number of 146,933 interrogations of the credit risk control database (CRB), which means 19% less interrogations compared to November 2010 and 53% less interrogations by comparison to December 2009.

Graph no. 2– Variation of the balance per number of loans compared to the credit risk control interrogations number

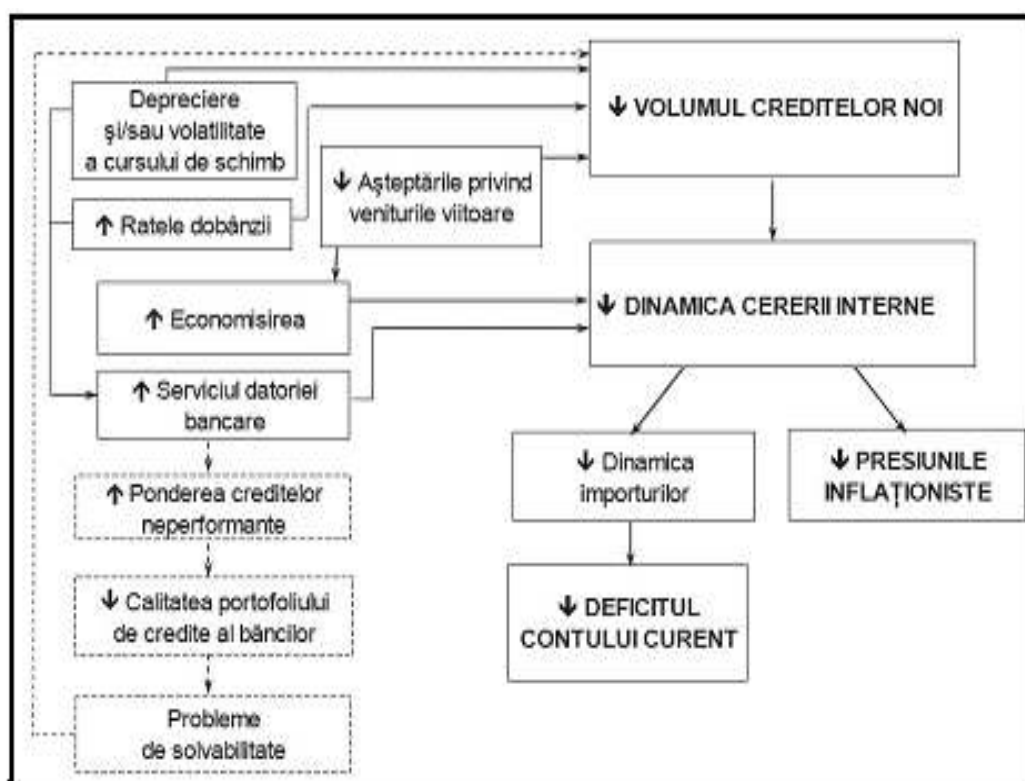


Source: www.businessday.ro

A bank, when it wants to find out the good standing of one of its actual or potential clients (or when a person wants to obtain a loan), checks that person using the credit risk control (CRB), so that the evolution of the number of interrogations largely shows the evolution of the interest in loans. In this context, the month of December 2010 was the weakest month of December of the last seven years, respectively since 2003, when the number of the interrogations was 39,189. All in all, in the year 2010 there have been 2.43 million interrogations, namely 12.5% less than in 2009, and 78% less than in 2007, the best year for loans. At the same time, 2010 was the weakest year since 2004.

As far as the loan balance for the ongoing loans over 20,000 lei is concerned, it has decreased by 9,368 in December and by 49,270 during the whole year 2010, attaining the value of 1,482,884. The decrease of this balance shows that the number of the new loans granted by the banks is smaller than the number of the loans that have reached their date of payment or paid back in advance. In December 2010, the loan balance for the loans granted to the population was 1.9% higher than by the end of the year 2009, and in the case of the companies, the loan balance increased by 8.7% during the same period.

Figure no. 1 – Possible macroeconomic consequences of the loan balance diminution



Source: Silviu Cerna – Criza economico-financiară mondială și efectele sale asupra României (The international economic-financial crisis and its effects on Romania)

During the two years of crisis, respectively 2009 and 2010, the population's deposits in the banks grew from 82.9 billion lei, to 104 billion lei, while the companies' deposits grew from 68.5 billion lei to 73.4 billion lei. By the end of the month of November 2010, the number of the people who had not paid their monthly installments in time was of 725,364, namely by 9,412 lower than at the end of October, yet by 69,457 higher than in the same month of the previous year. For a comparison, between November 2008 and November 2009, the number of the natural persons who had recorded delays of over 30 days on the payment of their installment rates had grown by 213,000. One should note, however, the fact that during the period April-November 2010, the number of the people who had not managed to pay their monthly installments in time fluctuated between 710,000 and 734,000, which means that the situation was beginning to get stable.

As far as the commissions constituted by the banks for non-performing loans are concerned, they have reached the level of 23.4 billion lei, the increase of the year 2010

being of 9 billion lei or 62%. At the same time, the ratio of the credits other than belonging to the standard category in the total loan balance continued to grow in 2010, namely: out of the sum of 204.3 billion lei representing the total loan balance, 46.5% represent standard loans, namely loans with no problems (the ratio was 53.9% a year ago and 63% two years ago), 21.3% is the loan balance under scrutiny, 10.8% are substandard credits, 4.2% are loans categorized as "doubtful" and 16.7% represent losses (the ratio was of 11.5% a year ago).

According to the BNR data, by the end of November 2010, the monthly installments not paid in time to the banks totaled 16.35 billion lei, by 452 million lei more than by the end of the month of October and by 8.3 billion lei over the level recorded a year before, so that the ratio of the installments not paid in time in the total loan balance had reached the level of 7.81%. Taking into account this worrying aspect, one can conclude that the governmental authorities' measures against the crisis in Romania were not rigorous and did not have significant

positive effects, the only oasis of discernment remaining the Romanian National Bank, which has battled silently against the inflation and against the evolution of the exchange rate.

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Recovery Measures of Public Services in the Current Economic Crisis

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Abstract

The current economic crisis affected both the private and public sector of Romanian economy, leading to financial instability, inflation and decreasing purchasing power.

Its adverse effects include also the rising unemployment, greater pressure on employees who have taken over the responsibilities of their colleagues, lower wages or delay in their payment. Inevitably, this is leading to staff dissatisfaction, which affects public services delivered for the community.

In addition, limited financial resources are managed with difficulty, and some activities such as researching the consumers' needs and desires are put in the background.

To overcome these obstacles, the public service organizations can focus on the quality level of their offer, establish clear and easy to evaluate objectives, or adopt decisions on increasing the professionalism and motivation of their employees.

Anyway, the most comprehensive means of overcoming the economic crisis and increasing performance is the marketing plan that can encompass the aforementioned solutions.

Key words: economic crisis, public services, service quality, public employee, marketing planning

J.E.L. classification: M31

1. Introduction

According to marketing research conducted in 2009 [20, 21, 22], the economic crisis has led to lower levels of confidence in central government institutions and the increasing dissatisfaction of the Romanian Government activity. The Romanians also are dissatisfied with government support for certain categories of persons, as elderly,

unemployed ones, or people with low incomes.

However, the crisis has affected the education of children and led to reduced wages and other benefits as well as loss of employment. Among the measures adopted by households in Romania, to overcome the crisis, include deferred payment for utilities, medical services, cheaper or smaller quantities food purchase, and delaying the purchase of durable goods.

According to the Romanians, the public administration system in Romania provides difficult access to public information, is inefficient and less transparent, it requires high taxes to solve problems of citizens, and it is also complicated and difficult to understand.

In private business, the economic crisis has resulted in reducing the number of orders and customers, lower liquidity and wages, and in lack of jobs. Other consequences of the economic crisis that affected Romania are financial instability, inflation, reduced purchasing power and rising unemployment.

These weaknesses of the national economy can be overcome by adopting both in the private and public institutions some correlated measures, which are well planned and in accordance with the requirements of the target audience.

2. Means of overcoming the economic crisis

The international specialty literature mention that high service quality performance produces measurable benefits in profit, cost savings, and market share.[3, 13]

This is why a first measure that public service organizations can adopt concerns the quality of service. Although in some markets of the public sector there is not an intense competition, as in the private sector, organizations should not neglect their consumers' needs. A decrease in their

number may lead to difficulties in meeting their business performance.

Thus, the management personnel of these organizations should identify the causes of a poor quality service and address these issues.

According to the specialty literature, one of the causes of a poor quality service that is encountered also in the field of public services may be the establishing of inadequate quality standards. [19]

This obstacle in designing and delivering public services may be the consequence of the following mistakes: incorrect perception of managers on what their customers want, limited financial resources due to the economic crisis, and institution's inability to formulate and follow certain procedures designed to reduce the variability of services, on one hand, and at least to maintain a certain quality level of benefits, on the other hand.

Therefore several measures are necessary in order to improve the delivery of public services, especially since it is known the Romanians' unfavorable perception on various aspects of public sector: low wages, poor working conditions, bad management.

These measures may include:

- setting clear tasks and responsibilities, communicated to employees through job descriptions;
- motivating employees with financial and other benefits;
- training and strengthening work teams because it is known that teamwork gives better results than competition between employees;
- enabling employees to come up with new ideas in the design and delivery of services without limiting their activities only to the provision.

Personnel of public service enterprises have an important role in creating and delivering services with high quality level, and in determining a high level of customer satisfaction. The public enterprise should consider the following recommendations, in order to form professional civil servants:

- the value system of employees and their interests and needs;
- civil servants' personality, their work capacity and desire to succeed in everything they undertake, on the one hand and how they perceive themselves, on the other;

- staff orientation to careers and occupations that require physical actions or for activities that involve thinking, analysis, organization and understanding;

- extent to which employees are effective as subordinates (to obey to structures, laws and regulations) or leaders (are able to persuade others);
- the social environment, the amplexity of technical and organizational changes, the great mobility of professions and specialties, education and training, social situation, environmental and occupational level, autonomy at work. [14]

Secondly, the recovery measures should focus on the knowledge of the needs and aspirations of customers. Although the importance of customers is highly recognized within organizations providing public services, they are not making significant efforts in order to know the target audience, its needs and expectations. This discrepancy between the assertions and the facts in the public sector is the result of lack of marketing research, on one hand, and of a poor communication between employees and customers, on the other hand. In this situation the public service is far from being a qualitative one.

However, there are inexpensive solutions that can be applied in a relatively short time, such tools to collect grievances, customer complaints and suggestions (on paper, by calling a free phone number, or by Internet).

Also, in recent years and especially after Romania's integration into EU structures, has been made many barometers of opinion among citizens in order to identify the image of public institutions or the Romanians' satisfaction regarding the functioning of organizations in various public sector fields. In addition, the results of this research can be accessed for free and unlimitedly, while giving the public service providers a chance to learn more about potential customers and to adapt their offer and activity to their needs.

Thirdly, for public service companies that have a marketing vision, the customer satisfaction is very important, but they should not neglect the financial issues, which allow them to conduct their activities. Even public institutions are interested in the financial aspects, because their activities must be

correlated with the predetermined budgets, allocated by the state.

A business must be primarily able to create a consumer, hence the need to establish a marketing objective. Businesses must be able to innovate, to avoid being overtaken by competitors, thus the need for an objective of innovation. All businesses depend on three factors of production (labor, material and capital resources), so there is need to establish objectives for their recruitment and development. Resources must be employed in a productive way and their productivity must increase to ensure the survival of the business, so that productivity objectives are needed. Businesses exist in society and must assume responsibility for the impact they have, setting objectives that take into account the social dimensions of business. [5]

The objectives of a public hospital may cover issues such as monitoring the number of complaints, the average waiting time for consultation, the number of nervous crisis in mental health department, the number of hours of program with the public, the time used to complete an administrative process, the number of persons on the waiting list at a medical office, the time used for diagnosis, the average time of hospitalization, or the degree of customer satisfaction. [6]

Also, public sector companies can focus on the following objectives:

- Increasing the service awareness (type of service that is offered to potential customers, when it is available);
- Increasing the use of public services (as visiting museums or other cultural institutions);
- Educating the target (achievement of preventive medical examination).

Anyway, the most comprehensive means of overcoming the economic crisis and increasing performance is the marketing plan that can encompass the aforementioned solutions. This measure may generate financial resources for daily operations, in order to pay debts and eventually to obtain profit.

In the international literature, numerous studies and papers have focused on the usefulness of the marketing plan, while trying to demonstrate that the development of a strategic marketing planning process can lead to market success record. However,

some scientific approaches have limitations related to methodology [18], and determine the professionals to pay more attention to both theoretical and practical. Thus, further better documented studies address strategic planning as a source of competitive advantage. [7, 16, 12]

Other studies examine the relationship between strategic marketing planning and financial, non-financial, or corporate performance, [17, 2], and marketing capabilities that are necessary to increase the performance [15].

Malcolm McDonald [10] argues that the organization's benefits resulting from implementing the marketing plan include: systematically identification of both opportunities and threats that may arise, high capacity to cope with change, maintaining competitive advantage, and also a more efficient management of limited resources. All these positive consequences are able to assist public service organization to overcome the difficulties imposed by the economic crisis.

However, if failures occur after the conception and development of marketing plan, they relate to cultural and cognitive dimensions of the planning process. [11]

In addition, the pros for implementing the marketing plan are found in recent work as barriers between private and public sector have been eroded. Thus, the performance of public institutions affects the smooth running of private companies and national economies. [4, 1, 9]

Moreover, this measure is very important, whereas in public services, strategic planning at corporate and division level affects the efficiency of the whole sector. This activity involves four steps: (1) defining the mission, (2) determination of strategic business units, (3) the distribution of resources for every strategic business unit and (4) planning new activities and restricting the old ones. Corporate strategic planning is done within government, and the division one is specific to each ministry.

In the public sector, the planning at the corporate level has some constant elements. Divisions are entities whose work area is maintained on an interval of at least four years. If changing the political regime, these divisions that are represented by ministries can change their title, but generally they are

responsible for carrying out the same type of activities. As such, the mission established at corporate level actually consists of promises and actions included in the new government program. Determination of strategic business units is to appoint ministers, while their financial resources are provided according to the priorities and needs of the nation as a whole.

In other words, corporate-level planning in public services has the following steps:

- Elaborating a government mission (part of the government program);
- Naming the division (ministries);
- Allocating the budget funds to all divisions established in the previous phase, according to the State Budget Law.

Divisional planning is identified with planning within each ministry. Also, the ministries have their own mission and they decide which strategic business units should receive money and the amount of these budgets. For example, in the case of defense, public order and national security services – currently represented by the Ministry of National Defense – there are decisions regarding the amount of financial resources from the state to be granted to various units such as police, gendarmerie, prison or judicial authorities, in order to operate continuously and effectively.

Thus, a marketing plan can be effective because it can provide so more discipline in the strategic planning process, with the consequence of setting strategic directions for the company or business units.

Other benefits of the marketing plan are: (1) it reveals things unknown to the company before it was created, (2) it avoids focusing only on certain areas and takes into account the most profitable ones, which may had been omitted by negligence, (3) it prevents errors, (4) it determines the critical factors leading to a successful company, (5) it gives to the marketing expert the possibility of establishing clear marketing objectives. [8]

3. Conclusions

In essence, all these measures require that the employees of public service companies should look inside the company and beyond, in order to see results of past marketing decisions, and to know the market in which it

operates.

Meanwhile, it is necessary not only identifying and selecting the right people for a job with specific duties and responsibilities, but also to adapt the job description to the employees' qualities and training.

This flexibility avoids monotony and dissatisfaction that can arise in public employee's professional life, while leading to staff retention and more active involvement in business activities. This will improve the image of the organization and its internal communication.

Regarding the marketing plan, this is a document resulting from the marketing planning process. Decision-making process has a good structure and rigor through formal marketing planning. It culminates with a written plan, usually once a year or when a marketing decision is adopted, which involves allocating a budget and the participation of other internal resources.

The marketing plan gathers and selects in one document all the culture and experience of a company and foreshadows a way for achieving the marketing goals. In addition, it involves the communication of marketing priorities to other departments of the organization, and dialogue with senior management, followed by the establishment of a certain budget and useful internal resources.

In conclusion, the marketing plan is essential for any successful business. It is the heart of the business, the base to begin with all other operational plans. Marketing gives each company an amount of information that properly applied could lead in principle to its success.

"Marketing is the blood that gives life to every business. You can have a great product, technical know-how and years of experience in financial management, but if you want your business to grow well and vigorously – to grow by herself – you need marketing. And the first and most important step towards this is the marketing plan." [8]

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Mutual Funds and the Impact of Financial Crises

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Abstract

During the last few decades, mutual funds have passed through a period of significant development regarding the managed assets volume and number of funds, as well as regarding the investment strategies and financial instruments used. The present paper wants to analyze the main evolutions on the world mutual funds market, for the 2004-2010 time period and to identify the impact the financial crises had on the structure and performance registered on this market.

Key words: mutual funds, financial crises, risk, globalization

J.E.L. classification: G01, G20

1. Introduction

In the last decades, it was noticed that the commercial barriers were eliminated and the free flow of capitals was stimulated. Due to the technological innovation, access to information became easier which created the premises for the diversification of investment alternatives as well as for modifying the capital markets' structures. This shows that the financial globalization had as effect a multiplication of investment opportunities and a reorientation of the investors' interest towards the emerging capital markets.

The international capital flows promote an efficient allocation of the global savings towards the most efficient users, allowing emerging markets to have access to international financial resources, meant to complete the limited national resources.

Still, there is a high sensibility of the capital flows that depends on the relation profitability-risk, and manifests itself through

major oscillations both in the case of mature markets and in the case of emerging markets, due to the effect of crises contagion that is spread over a global market.

The mutual funds come into being in the context of a pre-existing well shaped, liquid, transparent and credible capital market. A modern, competitive economy that is capable of adapting itself to the present demands of globalization is unthinkable without the existence and functioning of an efficient capital market.

In this context, the worldwide open mutual funds market suffered major mutations.

As noted by Eichengreen and Mussa [3], Pazarbasioglu, Goswami, and Ree [10] and Lane and Milesi-Ferretti [9], the growth of international mutual funds has been facilitated by technological change, privatization in emerging markets, macroeconomic and trade reform in developing countries, which have rendered emerging markets more attractive.

Although mutual funds have become important contributors to financial market integration, little is known about their investment allocation and strategies. Kaminsky, Lyons and Schmukler provide an overview of mutual fund activity in emerging markets [6].

The few papers analyzing mutual funds worldwide have so far studied the determinants of the size of the industry per country [7] and the level of mutual fund fees [8]. These papers show substantial differences across countries in the development of the fund industry and link these to a combination of legal, regulatory and demand- and supply-side factors.

The evolutions registered on the capital market in the last few years have shown the increasing aversion towards risk that the

investors feel. This has led to significant corrections of the prices that the financial instruments were evaluated at and to the important reduction of the financial investments' performance (including the investments of mutual funds), the asset allocation decision becoming vital for the investors.

In the specialized literature, a series of studies have analyzed these aspects. For example, Iliw states that asset allocation focuses on finding mathematically optimized portfolios of domestic and foreign asset classes [5]. The author maintains that these portfolios are based on assumptions in order to achieve specific risk-return objectives with high confidence. These portfolios are "no-brainers" because they do not incur additional costs [5].

Other authors, such as Bikker, Broaders and Dreaw [1] study the impact of stock market performance on the investment policy of Dutch pension funds and show that their investment policies are partially driven by the cyclical performance of the stock market. In addition they point out that pension funds respond asymmetrically to stock market shocks: rebalancing is much stronger after negative equity returns.

According to Swensen [12], construction of a financial asset portfolio involves a combination of science and art. The science encompasses the application of basic investment principles to the problem of combining core asset classes in an efficient, cost effective manner. The art concerns the use of common-sense judgment in the challenge of combining incorporating individual characteristics into the asset allocation process.

Mutual funds with a more diversified portfolio perform somewhat better than funds with a less diversified portfolio [2]. He finds no evidence to indicate that investment outside the fund's primary investment universe will enhance performance.

The research performed offers information on the main evolutions of the mutual funds market for the period between 2004-2010, analyzing the impact of financial turbulences over the structure and performances that were registered on this market.

2. The analysis of the worldwide mutual funds market trends

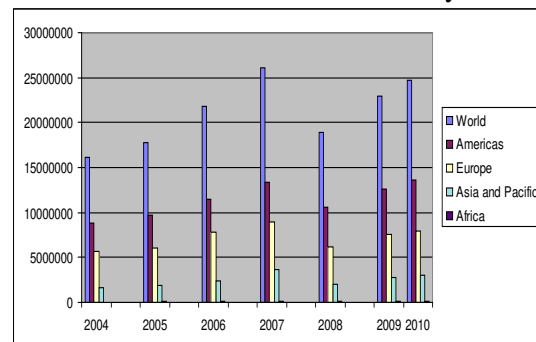
In the last decades, individual investors have shown an increased interest towards the mutual funds, generating an increase in the number of such funds, in the volume of administrated assets as well as a diversification of the investment strategies and financial instruments used. Investor demand for mutual funds is influenced by a variety of factors, not least of which is funds' ability to assist investors in achieving their investment objectives.

As the open mutual funds have become victims of the financial crises that were felt on the capital international markets, investors have reoriented their capitals towards other investment alternatives that seemed more attractive from the point of view of the ratio between risk and profitability.

The evolution of this market is characterized by an evident increase over the whole period between 2004 and 2007, followed by a decrease in 2008, when the effects of the financial crises were felt for the first time in the field of investment reorientation through the reduction of the assets administrated by the mutual funds with 27.6% at worldwide level (see graph no.1.)

The biggest decrease was registered by the European mutual funds. Their assets have decreased with 2.3% in the second trimester of 2008, down to 5.457 billion euros. The second decrease registered was that of the mutual funds of the United States that have lost 0.13% of their assets, down to 7.407 billion euros.

Graph no. 1. Worldwide Total Net Assets of Mutual Funds
Billions of U.S. dollars, year-end

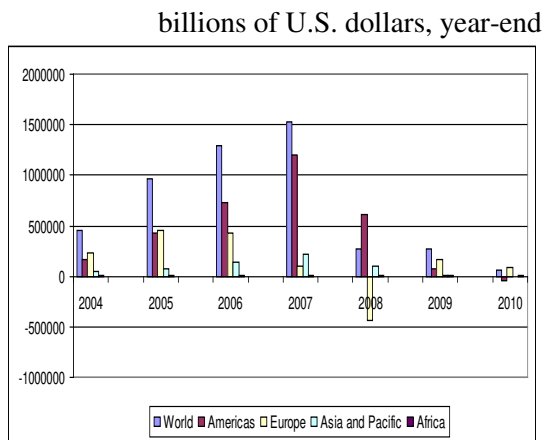


Source: Worldwide mutual fund assets and flows, ICI, 2010

One of the most affected sectors of financial intermediation was that of the shares funds.

The increased volatility felt on the shares markets, especially in USA and Europe, significantly reduced the individual investors' appetite for investments in the shares funds that have disclosed net outflows of about 25 billion euros in Europe only in the last trimester, according to the statistics provided by the European Funds and Assets Management Association (EFAMA).

Graph no.2. Worldwide Net Sales of Mutual Funds



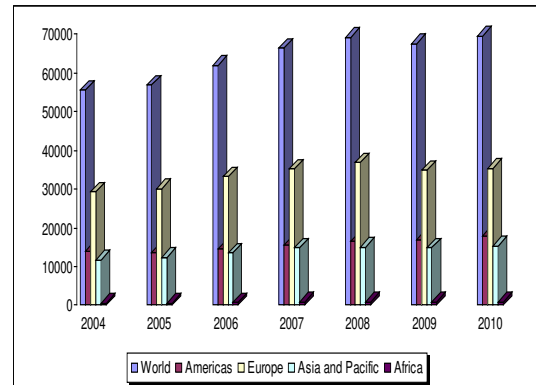
Source: Worldwide mutual fund assets and flows, ICI, 2010

The net outflows have increased in the context of increasing panic of the investors that were seeking shelter from the unseen before volatility of the bonds and credit markets but also from the avalanche of negative news concerning the impact of the financial crises over the real economy.

In Europe, the less affected by the aggressive financial turbulences mutual funds were those of Luxemburg and Ireland taking into account that these two markets based their asset sales on clients from outside of Europe, namely from Asia and South America.

Regarding the number of mutual funds that were active on this market, we can notice a decrease only in 2009, the rhythm being much slower, of only 3%, as shown in Graph no. 3. A possible explanation can be the solution adopted by the managers of these institutional investors, of restructuring their portfolios, by reallocating the assets.

Graph no.3. Worldwide Number of Mutual Funds



Source: Annual Report, ICI, 2011

On the worldwide mutual funds market, the geographical spread of such funds is a relatively etherogen one, the first place being held by USA that was administrating 48% of the total assets on the market, at the end of 2010 (table 1).

Table 1. The U.S. Had the World's Largest Mutual Fund Market

Percentage of total net assets, year-end 2010

Total worldwide mutual fund assets	\$24.7 trillion
United States	48
Europe	32
Africa and Asia/Pacific	13
Other Americas	7

Source: Annual Report, ICI, 2011

The restructuring portfolio measurements, the reorientation towards the emerging markets and towards the fix income instruments have led to a revival of the market, especially in the last year of the analyzed period (2010).

With \$118 trillion in assets, the US mutual fund industry remained the largest in the world at year-end 2010. Total net assets increased \$700 billion from the level at year-end 2009, largely reflecting the continued rise in stock prices in 2010. At the same time, investor demand for mutual funds declined further in 2010 with net withdrawals from all

types of mutual funds amounting to \$297 billion.

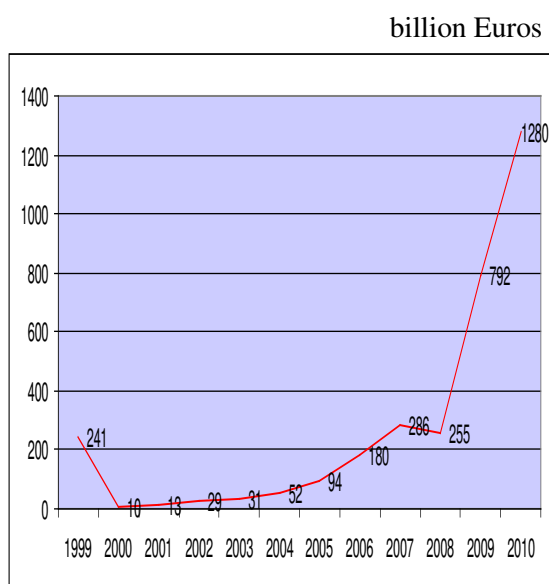
Investor demand for certain types of mutual funds appeared to be driven in large part by the interest rate environment and the tepid pace of the economic recovery.

Thanks to the sustained demand for long-term funds and higher asset valuations, total European investment fund assets increased by 13.7% to €8,028bn, representing 60% of GDP1 at end 2010, compared to 55% at end 2009.

Worldwide investment fund assets under management increased by 16% in 2010 to €18,484bn. Measured in U.S. dollar terms, fund assets increased by 3% to \$23,696bn. Measured in Euro and taking into account funds of funds, U.S. mutual fund assets rose by 17%. The other markets in the world also showed positive growth with a 35% increase in Japan, followed by a 31% increase in Australia, reflecting a significant exposure in equity funds and other funds' assets.

A comparison with the worldwide mutual funds industry level situation shows that Romania is far from the level of assets that are sold on the markets of the neighbor countries not to talk of the impressive distance if compared with the American market.

The evolution of net assets held by the mutual funds in Romania



Source: Personal analyze of data from www.aaf.ro

If in the case of Romania, mutual funds administrate an average of 6.5 billion euros, in Slovenia the average level goes up to 27 billion euros while in Poland it reaches 164 billion euros. The situation is no better if we take into account the percentage held by the net assets of the open mutual funds in the IBP. For Romania, this percentage is of only 0.2%, while for Poland and Slovenia is around 9-10%, for Slovakia is around 6% and for the Czech Republic around 4%.

In this context, the mutual funds managers of Romania must join forces by adapting the investment policy in order to reduce the lagging behind they have in respect to the other participants from the world market in this field.

3. Conclusions

The financial instruments issued by the mutual funds represent a significant pourcentage in the structure of investments made by the population, indicating the preference investors tend to have towards this form of investment.

The effects of the financial crises were strongly felt in the worldwide mutual funds market, fact that is proven by the variation in the number of funds and assets managed in the annalyzed period.

In order to conclude, there is a need for improved settlement standards and an increase in the mutual funds supervision level, so that the financial turbulences do not lead to the outflow of resources from this market but to a geographyc restructure of the managed assets. Another purpose of the mutual funds managers is to ensure an increased transparency in their activity in order to offer better protection to the investors and to minimize the investment risks.

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The Decision to Invest in the Crisis Situation

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Abstract

Entering into a new period of recession makes the financial crisis issue draw more and more the specialists' attention. The cyclical evolution of modern economies is following the pattern of a boom highly fuels the interest in this topic. The issue of investing during these periods is currently in the spotlight, as it always turns to be when the world economy is affected. Searching for an economically correct explanation to the reasons for which volatility and instability appear, and also for the spread of the global financial crisis, perfectly justifies the interests of actors who take part in this area. Analyzing the effects these crisis generate both in the economic and social fields allows a better understanding of the ways in which they arise and develop in the present context and trying in the same time to find solutions which will solve in the best way possible this problem.

Key words: crisis, business, intangible assets.

J.E.L. classification: M41 - Accounting.

1. The concept of "crisis" subject to various interpretations

The current economic environment characterized in general by uncertainty about the volatility of prices, difficulties in valuation of financial instruments and assets and liabilities. More and more organizations face liquidity problems that could threaten the very existence. Under these conditions, saving organizations becomes increasingly important concern to those interested in directly, "survival" is the term most often used in today's global economy. Multiple causes (governments, creditors and internal or external investors, financial institutions)

and the potential benefits have led to continuous deepening of globalization. The second half of the twentieth century raised a new stage of development which has characterized the global economic system on the participation of a large number of developing countries to conduct economic transactions therein. The high degree of integration of the economies of participating countries has increased the interdependence between the economies of developed and developing economies from all regions of the world. Analysis in the current context, the evolution of these interdependencies assumes a special importance for understanding the nature of crisis and offer new perspectives on the effects of training that they have internationally.

Crises can be defined as situations characterized by a pronounced instability, and thus accompanied by volatility and uncertainty in growth in most markets (capital markets, oil markets, money markets and foreign exchange, employment, etc.). In times of crisis (whatever form it take it) we are in a constant state of anxiety and uncertainty about the future, fear or even panic. Our instinct to defend and preserve us to sometimes behave irrationally and to emphasize further this volatility, because each of us with cognitive ability that we filter information and understand the phenomenon in our way and then translating it into a market-related behavior.

Crises arising from a period where the price of assets (financial or otherwise) artificially increased greatly, and when the market becomes aware of this over-reacting accordingly.

Etymologically the word "crisis" comes from the Greek word "krisis" which means a situation requiring a decision [1].

Mishkin [2] defined the crisis as "a situation where adverse selection and moral hazard worsens, markets are no longer able to channel resources to the most productive

investment opportunities."

On the other hand, the crisis has conceptual for M. Friedman also has a different approach [3], which considering that the crisis has a strong psychological. The crisis is often associated with lack of conditions to allow a decision [4] to be taken. The emergence of a crisis can be difficult early element of surprise associated with such a situation is fundamental [5]. In some cases, the crisis is defined as an event with low probability of occurrence but has large implications for society, organizations or individuals [6]. The problem with defining these crises is to say how great to be volatile or falling markets evolved to fit into the category of such a crisis. There are no clear definitions on how much is inflation, unemployment or decreased GDP of a country to assess its entry in a crisis. Conventionally, it was established that the economy entered the phase of recession as two successive quarters when we deal with the fall in GDP of a country or region [7].

There are different classifications of the current crisis. A first classification relevant to our discussion as follows [8]:

- depression small scale short term are the least dangerous and most common. Are generated by external shocks (oil price increases on international markets, border conflicts, natural disasters in the region) that generates a fall in GDP and rising unemployment. Governments can counter the negative effects of this crisis through fiscal measures. Even in the absence of explicit measures economy quickly find the path of recovery and response to the negative effects of a given external environment.
- structural crises: caused due to a lack of adjustment/ adaptation of the structure of domestic production to the international situation. These structural crises often lead to problems of balance of payments due to loss of external competitiveness, failure of adaptation of the new requirements of international markets. These crises have a long and destabilizing the economy more.
- systemic crises: crises are no longer can find the solution within the economy in terms of production structure data. There are crises that require a recasting of the entire system in an economy that is

engaged (e.g. reforming the international financial system).

Another interesting classification was made by Ishihara [9] that in the literature identified five different forms of economic and financial crisis:

- the liquidity crisis in banking financial sector (defined as a situation where a country falls more financial institutions unable to meet payment obligations in the short term (liquidity crisis) or liabilities are lower than bank assets leads to (bank insolvency).
- balance of payments crisis: it was first defined by Krugman and Obstfeld [10] as that situation where a country's international reserves significantly diminishes amid massive purchase of foreign currency operations on Forex market motivated by some expectations of an imminent devaluation of the exchange rate in the near future.

Kaminsky and Reinhart [11] have defined and its balance of payments crisis as an abrupt collapse of international reserves without proposing an objective criterion to characterize the crisis as a collapse. Measurement of such crises is based on the rate of change of a country's international reserves (reserves that finds its balance of payments equilibrium for a fixed period). Such a collapse of international reserve occurs not only to speculate on the currency market but also a situation of chronic current account imbalance (imports greater than exports over a prolonged period).

- currency crisis: it is characterized by a significant depreciation of the exchange rate due to strong growth of foreign demand, inflationary pressures [12].
- external debt crisis: first defined by Dornbusch [13] as that situation where a country is unable to meet debt service and repay its related rates.
- financial crises: the literature has not yet drafted a unified point of view on this type of crisis. Financial crises are associated with a drastic reduction of investor confidence in the financial system. Amid the declining credibility capital is withdrawn from the financial markets and repatriated to their country of origin. This effect produces a decrease in liquidity on the stock exchange

transactions, foreign exchange pressure (due to increased demand for currency conversion amounts required divestiture of the capital market) and a pressure on interest rates (due to diminishing demand for securities).

It is difficult to make judgments when a financial crisis becomes an economic or an economic crisis creates a financial crisis or vice versa. In principle always talk generated an economic crisis or financial reasons, political or social. The financial crisis is only a manifestation of economic crisis and reflects confidence in the financial system, a significant decrease in the volume of transactions on the stock exchange, a condition of market mechanisms. Stock trading is the barometer of economy and business of different sizes and from different sectors. When these business market (real estate market, oil market, labor market) they suffer disturbances or major corrections will be reflected in the profitability of business listed on the stock exchange and therefore the price of financial assets (shares or bonds) directly depending on expectations investors. Panic about the economy does nothing more than to emphasize the magnitude of these corrections and to induce new uncertainties in the economy. Hence to reduce the appetite for savings and investment and then to increase market interest is only one step.

2. The effect of global economic crisis on the Romanian business capital

In an attempt to liberalize the economy and to attract international funding, many developing countries have bought into schemes of private companies. As the global economic crisis has hit especially private companies, there are many companies that have either fallen or have decided to use their business equity to obtain funds to keep them afloat. Meanwhile, private firms have acquired a reputation that is almost as unpopular as that of investment bankers today. The competitive climate before the crisis when demand was high, Romanian companies have taken advantage of context and grew. Many of them, or rather, most have not done it in a sustainable way, step by step but in a fast, skipping some steps. Development of competitiveness, or rather to

obtain competitive advantages has not been a priority for Romanian companies. There is no news that the economy is affected by phenomena that increase or decrease in cyclic succession. The Romanian economy is currently in a phase of decline. Many analysts consider this, but do not stop to observe only the negative side but rather try to find solutions from within the organization to eliminate the negative effects of the crisis. These resources are designed to create advantage competitiv, translated by the phenomenon of differentiation process.

Differentiation is through quality, service, innovation, image, knowledge, information processing ability, culture, etc. Organizations that fail to differentiate crisis will last. Moreover, at the end will have a strong market position. At a time when "the cost assets worldwide" difference do intangible assets of the company. Ability to differentiate a company is closely related to intangible assets. In addition, given the success of a company is how it manages to combine in a proper, coherent and created all these elements that generate added value [14].

2.1 "Differentiation process" in Toffler's view

Alvin Toffler said: "What matters in the broader perspective of each nation are products of mental work: scientific and technological research, education, employment, sophisticated software, smarter government, advanced communications, electronic finance. These are key sources of strength tomorrow and, among these strategic weapons, none is more important than higher organization-in particular the organization of knowledge itself. Creating competitive advantage is a continuous approach for companies that want to be market leaders. One advantage that a company it is today, will be replicated at very short- term competitive environment so it is no longer a differentiation between companies.

2.2 Theories of "differentiation"

In support of the idea of differentiation through competitive advantages have been launched over the years a number of theories. Added value chain of Porter[15] tried to understand how companies address the

strategic problem of creating competitive advantages and concluded that a company has two options: the first related to the attractiveness of the industry and two related to positioning the company in the industry. In the mid-twentieth century these ideas were already overcome so Porter has proposed another model, the "value added chain" by which we can find the sources of competitive advantage for a company through systematic analysis of the activities of a company and how they are interconnected.

2.3 Peter Drucker and the knowledge society

Peter Drucker in 1993 said in his book "Post-Capitalist Society" [16], that enter a new stage and a new society - the "knowledge society" - in which firms face constant change process involving systematic management knowledge. This can be done as part of a systematic process to improve each company's activities and continuous innovation. This continuous process of knowledge creation is closely linked to learning. Senge spoke in 1990's about the concept of learning organization [17] seeing in learning a source generating competitive advantage. Such an organization is built around a shared vision by all employees, adopt systemic thinking and facilitate peer learning.

2.4 Resource-based vision

The latest theory is based on firm resources view, which considers the skills, capabilities, skills, sources of competitive advantage. This concept appeared amid tight competition between companies faced with constant changes caused in part by the phenomenon of globalization of the 1990's. All these theories have had their moment of "glory". They have succeeded one another appearing as a solution to the moment of companies. But none of them is, "universal truth" as, indeed, time and confirmed. But each contains one "ingredient" that could be used by organizations in the "recipe for success." Perhaps this crisis is, in fact, many organizations the opportunity to enter the knowledge economy. But to go in this direction and in order to ensure success requires vision, coordination and

commitment from management, a holistic approach to achieve an alignment of strategies, processes, technologies and organization by its members.

2.5 Leadership and strategic thinking

And more than that, it takes leadership and strategic thinking to reassess the importance of intangible assets in generating added value for customers. Perhaps now more than ever, the most important need to understand customer needs and to anticipate the movements of competition. This means encouraging people who are directly involved with the change to, communicate, and why not make decisions. Thus, the company's response time decreases and increases its flexibility to market movements. Therefore, to better manage change, each organization is obliged to seek recipe that is best fit to achieve success and the main ingredients in this recipe are intangible assets.

3. Corporate governance in the organization and the economic environment

In theory it is considered that the concept of organization is associated with a whole presenting the harmonious operation, whose main goal is to maximize shareholder value and wealth. Due to the emergence of new and complex necessities, have developed other views on the organization. Thus, its definition can be based on the notion of social interest, its purpose being the creation of wealth, due to the collaboration of participants in the life of the company (shareholders, managers, creditors, employees, customers, suppliers, public power). Thus, a company objectives are social, but also to maximize profits. [18] The definition according to the first theory leads to a mainly financial information facing investors, while the second definition is oriented financial information needs of all users. One of the key factors influencing the efficient use of resources, enterprise managers shareholder confidence, success in achieving enterprise and economic efficiency is corporate governance system is controlled by a company. This system promotes

fairness, and transparency in the company, being a set of rules of conduct which seeks the welfare of society as a whole, but especially that of shareholders and other stakeholders: managers, creditors, employees, customers, suppliers, public power, etc. [19]. Shareholders, one of the key elements of the enterprise funds are necessary to carry out and in turn are concerned that these funds be used and managed as well as correct by the managers appointed for this purpose. The relationship between owners and managers is controversial, since the two categories of participants may have different interests, often contradictory. Agency theory through which the enterprise is seen as "a knot of contracts" [20] is that which is permitted by resolving "conflicts of interest between shareholders and managers of enterprises". This theory establishes a set of relations, mutually beneficial, on the one hand, between shareholders and managers, but also from other stakeholders to a business (employees, creditors, etc.). However, shareholder-manager relationship is one that generates the most complex conflicts of interest and their resolution is closely related to organizing an effective system of governance that would "encourage managers to align the interests of shareholders" [21]. Stimulation of managers so that they fulfill their responsibilities correctly refers in principle to financial benefits (salary, stock options application technique that creates advantages and strengths of the nature of dividends generated by the sale value of its parts), but also in kind (car, home service, etc.). An important role in conflicts of interest between shareholders and managers we have auditors. They made a correct assessment, impartial, independent on the financial statements of the company, having the role of shareholders present the real situation. Through the audit, shareholders benefit from an important tool to evaluate the efforts made by managers in order to achieve the enterprise, and that maximize property owners. Creditors are third parties who provide loans to companies, and interest in the interest and principal. Thus, creditors are directly interested in the enterprise to make profit, which is the source of cover interest on loans. As for shareholders, loans may be a viable solution for obtaining new funds, the

risk associated is high, because the efficient administration of the resulting total equity depends on the attitude, skill, and especially the manager's interest. Employees have multiple interests in an enterprise. They are one of the most important resources available to the company. The main concern the interests of employees pay, benefits in kind (and gift vouchers, telephone, life insurance, tours, car service, etc.). In this regard, employees follow the evolution of profitability and business continuity. Customers and suppliers is the company's trading partners. Customers are interested in the company's ability to continue activity and prices, since they are directly concerned if their supplier can provide them with goods / services they need for good business conduct. Suppliers so if the company has sufficient resources to the client to be able to pay financial obligations [22]. Corporate governance system may differ depending on the importance given to categories of participants, but the relationship between shareholders and managers occupy a central position, as their relationship with the most divergence.

4. Conclusions

Financial crisis which began in the summer of 2007 internationally and their signs are felt today. Uncertainties, bankruptcies becoming more numerous, investors' risk aversion, liquidity low, tightening credit conditions, price volatility are some of the manifestations of the phenomenon of crisis. As a result, all participants in economic life are affected, directly or indirectly, to a greater or lesser crisis. Consequently, changes are needed, both in attitude and practice level in its action, communication is essential as a tool for survival and even exit. Managers, as the first responsible for the smooth running of companies will have to develop survival strategies and powerful tools of risk management. In addition, prudence and conservatism are the main attitudes of investors, which until the outbreak of the crisis have shown willing to take risks. Creditors who have proved relatively tolerant during the expansion of credit will become more stringent eligibility analysis of their potential customers. The importance of

auditors will increase as both lenders and investors and the public generally is based on their independent expert opinion. Employees will become directly interested in the success or failure of the company where they work, because of the dependency relationship that involves employee activity. The binder of all these changes in attitude will be communication.

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Sustainability of Economic Policies

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Abstract

The smaller or the bigger role which the state has in the economy arises or, on the contrary, reduces the cohesion of the socio-economic function, in the conditions in which it is able to orientate through public policies the development trends of the economy.

Key words: investment, productivity, market economy, state.

J.E.L classification: A11, A19

1. Introduction

The world we are living in is full of contradictions, both of a social and institutional nature and economic nature as well. Most of these contradictions start from the lack of satisfaction of individual's needs, from the fundamental ones to the rational ones of identity and identification of the motivational principles of each economic subject, from the individual and colectiv point of view. Now we are facing with some of the most strict restrictions: lack of resources, the oversising of the demand for economic goods, the growth of an increase of the financial needs, the shortcoming in the labour motivation as a consequence of a payment which does not cover the needs of a normal payment, discontinuities in allotting and distributing public goods. Considering these facts in my opinion a new approach of the state role in economy, a new definition of its functions, an adjustment in the basic state principles in accordance with the present and future economic principles is necessary.

2. The basic state functions

I consider that economy can not develop outside the market; the market allots the economic resources respectively the economic goods depending on the market ballance, the demand and the supply, at a

certain price. The price adjustment is made simultaneously to with the chance of the two market forces, the demand and the supply. At present, like the above said, for most of the economic goods, the demand is oversised as volum and structure, further to the extreme consuming society roles and the creation of a well being ilusion for a greater number of the population through an almost unlimited access to financing, resulting in the presence and continuation of the state of inflation. Under the circumstances, the market is no longer in the situation of establishing a real, correct ratio, between the demand and the supply, as the demand is not made depending on the solvent incomes, but on certain potential incomes and the offer does not come into this pattern of the growing demand but at a much more increased price. Therefore, through the market mechanism, only those economic activites which are eclusively meeting the demands of the market conjuncture; the outhter economic activites which are not on demand or do not meet the market needs at a certain moment are benefitting from low prices, respectivly low incomens which do not cover the present needs, facilitating debt prerequisites. In accordance with J. K. Galbraith: „nothing determines more a useful effort of the society than the pecuniary perspective reward, both one can require with its help and, not often as through the satisfaction granted by its possession” [1].

From this perspective the state role is to encourage the economic activities achieving an effcient allocation of the economic resurces creating outlets for seling the economic goods, using as levers the price subvention, fiscal facilities, measures of the deconcentrations of productions of certain markets and removing the niches through which the economic activities are becoming part of the underground economy.

The state must become the most efficient and transparent manager: on the one hand because it administers public funds taken from the economic activity of the economic agents, on the other hand because it is in charge of guiding the economy to the development of those activities which are necessary and creative of individual and collective welfare. The creation and allocations of public goods is exclusively in the state's charge; these public goods accomplish as a whole any society, ensuring the economic support for the development of infrastructure. To this end, Adam Smith wrote: „the state has to raise and maintain certain public works and public institutions, which could not have ever been in the interest of a single person, and of a small group of people, to make them rise and keep them at this level, although the profit for a great society, can be much bigger than covering the expenses” [2].

Regarding the growth of individual welfare, the state can not perform directly; the way of obtaining and allotting the economic resources depends on each person. Is this the real state of things?

Taking into consideration the different establishment of the income rate level in economy, the state adjust the level of the available income allotted to consumption and saving. Also, through the increase of the fee rate, the work motivation is adjusted in a direct proportion to productivity and the employee's efficiency. Incomes from the economy cannot be influenced just through the fiscal political guidelines; the mix of macroeconomic policies are favoring capital accumulations, the growth of public and private investments and an encouragement of the economic activity.

Now, I consider that the state does not have a time orientation of macroeconomic policies, a orientation which is not enough to be achieved only by the market. As the market is related to meeting the demands of the current and solvent needs, leaving to uncertainty (which in the market view would be administered by an insurance company) the allocation of resources for meeting the future needs of the society. These needs are also in the area of public goods, which should be connected to the development perspectives of the society, to the population dynamics and pattern, but also to the steady

adjustment of infrastructure to this end, as well as to the allocation process of the existing conventional resources, which are fewer and fewer and their price is consequently increasing, mostly because the development rate of the society is sine die connected to the usage of these resources. Therefore, the environment policies sustain the drawing and utilisation of nonconventional resources in the economic process. This fact is extremely argued: on the one hand great amounts are necessary for technologies implementations leading to the utilisation of nonconventional energies in consumption, and on the other hand the existing monopolies on the conventional resource market hampers the proliferation of green energy at the level of economy through tariff and nontariff barriers sustained by big interest groups. These facts can be overcome by state investments.

The green economy is the future economy. New working places can be created, the gap between the economic and natural environment is made, some costs are diminished, respectively the negative externalities of the market linked to pollution. It is a great opportunity for the state to orientate the economy to the incorporation of the green economy in the statutory economy. Although, as I have mentioned, the power poles of the world economy will not facilitate a loyal competition between the two systems of production (based on conventional and nonconventional energy sources) further to the loss of advantages on the market gained in the industrialisation era by the first one, even if the quantified and nonquantified advantages are by far in favour of the green economy.

How can public investments be achieved?

The state invests as much as it has financial resources. These financial resorts are resulting in the economic activity or they are coming from the external debt. In order to increase the state incomes, economy should generate transparent, competing, adequate income flows, to the immediate and perspective requirements of solvent demands. Thus, a big part of the existing disequilibrium in economy, caused by the inadequacy of aggregate offer to aggregate demand.

Therefore, the state should guide the interest of economic agents to viable investments, creative of added value. The investors are interested in economic developed regions or with development potential, with high level of infrastructure and mostly by fiscal facilities. Through the competence policy, the investments needed by the state can be drawn, considering the stages of negotiation, the potential advantages which can be transferred to the society: number of working seats created, supplementing the internal offer, creating the competitive levers, with a view to reducing the prices of certain economic products, the growth of the collecting income level. On the other hand the state should take into consideration the opposite: through the offer increase of import economic goods, the national producers can have difficulties, as a consequence of unloyal price competition. In this situation, the state, through its competence policy will establish measures for supporting national producers with a view to determining the efficiency of the production methods, and of sustaining the occupation degree as components of its social policy.

Under the conditions of a non-functional economy, the state levers are minimal. Consequently, the assurance of a minimal income for all members of the society is endangered, especially ensuring incomes of the employees in the public fields, which should be at a level of a maximum satisfaction, encouraging motivation and eliminating corruptible acts. These incomes depend on the efficiency of real economy, which should not forget. It is clear that only a functional and a productive economy can ensure a level of wages for maximizing the need of its members.

The state in a modern view

After the fall of communism the state had an even lower influence. In reply to this, the international financial institutions lay stress on measures for reducing the intervention degree of the state in economy, known Washington Consensus [3]. These macroeconomic policies were viewing at implementation of liberal measures aiming at privatisation, restructuring and liberalisation of the market, of trade, measures which are criticised further to the growth of the economies in transition as to the developed

economies, the deficit of the trade balance and external balance of payments, especially a growth in poverty.

The construction of state was at least important of the same way as the share of states reduction, fact which was sometimes wrongly interpreted, as an effort to restrict the state capacity [4]. The result was the economic liberalisation which failed to create welfare for all members of the society, an effect of the market functionalities.

The development of the many companies and the maximisation of the profit obtained took place. The result was a great number of disfunctionalities in most of the national economies and in the international economic relations, which contributed to the present economic crises [5].

3. Conclusion

In the circumstances, there is a mix between the market role and the state role in the functioning of the economy as to the importance of the state. This is a result of not understanding the failures of the market mechanism. The solution for coming out of the crisis is viewing at growing the state influence in economy regarding the process of allocation and the orientation to the economic branches which have high influence over the internal demand with a view to increasing the production process and a growth of the labor productivity. The state involvement does not influence the market mechanism, on the contrary it sustains it through the budget and monetary policies.

This mix of macroeconomic policies should encourage production and the development, the infrastructure, the orientation of investment to economic fields on long terms, having a positive influence on the economic and social development. In order to achieve these targets, the image of the state should be reshaped and remade so that, phenomena such as corruption, excessive bureaucracy, moral hazard may not change market functionality, market flexibility and the behavior of the economic agents.

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The Impact of Freight Tax Regime on European Fleet

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Abstract

Shipping in a truly international business and for many years, owners were tempted by financial incentives to move ships from national flags to flags of convenience. Many countries in Europe recognised that it is impossible to stop this process unless similar conditions are offered and they started to introduce tonnage tax systems. This paper is written in the context of Romania exploring the possibility of introducing a tonnage tax scheme in an effort to revive its fleet and presents the situation in Europe today together with advantages and disadvantages of such a system.

Key words: tonnage tax, shipping, freight, fleet

J.E.L. classification: H25, G32

1. Introduction

For many years the number of vessels registered under the flag of convenience has increased and we have today over 50% of the world fleet registered. The reasons for choosing an open register are varied and include protection from taxes, the avoidance of national regulations, labour wage scales or political boycotts. Advantages offered by open registries were a real incentive for many European shipowners to move their ships from national registries to open registries.

The lack of competitiveness of European-flagged vessels was recognised at the end of the 1980s and, in the absence of harmonised European measures, several EEA States adopted different arrangements for aiding maritime transport. The strategies adopted and the budgets allocated to support measures were different from one EEA State

to the other in reflection of the attitude of those States to public aid or the importance they attach to the maritime sector.

In addition, to encourage the re-registering of vessels, EEA States have relaxed rules concerning crews, notably through the creation of second registers. Second registers comprised, firstly, "offshore registers" belonging to territories which have a greater or lesser autonomy in relation to the EEA State, and secondly, "international registers", attached directly to the State which created them. In spite of the efforts made, a large part of the EEA fleet continues to be registered under the flags of third countries. This is because the registers of third countries which apply open registration policies - some of which are called "flags of convenience" - have continued and are still continuing to enjoy a significant competitive edge over the registers of EEA States.

In the light of the differences between the aid systems adopted by EC Member States faced with more intense competition from non-Community flagged vessels, in 1989 the EC Commission defined its first guidelines on this subject to ensure a certain convergence between the actions of the EC Member States. This method nevertheless proved to be ineffective and the decline of Community fleets continued. The guidelines were accordingly reviewed, leading to a 1997 communication defining new Guidelines on State aid to maritime transport.

The major development in recent years concerning support measures from the EEA States for maritime transport is the widespread extension in Europe of flat rate tonnage taxation systems ("tonnage tax"). Tonnage tax entered into force very early in Greece and was progressively extended to the Netherlands (1996), to Norway (1996), to Germany (1999), to the United Kingdom (2000), to Denmark, to Spain, to Ireland, to

Belgium, to France, to Finland (2002) to Poland (2007).

2. Short Comparative Annalysis of Tonnage Tax Implementation

In Europe basically three different tonnage tax models can be distinguished:

- the Dutch model, introduced in 1996 in advance of the EU guidelines;
- the Norwegian model, introduced by Norway in 1996 and also based on the EU guidelines in spite of the fact that Norway is not a member of the European Union;
- the Greek model, introduced in 1957.

2.1 The Dutch Model

The Dutch model, introduced in 1996 in advance of the EU guidelines, is implemented by Belgium, Denmark, France, Germany, Ireland, Italy, The Netherlands, Poland, Spain and the UK.

The taxable operating profit of a vessel is based on the tonnage of the vessel, and not on the actual operating results. The amount of deemed taxable profit is subject to ordinary (corporate) income tax rates. The main difference between the Dutch model and the ordinary taxation method is the calculation of the profit related to the shipping activities. Apart from that, the shipping company and its non-qualifying shipping income is subject to regular taxation rules.

Calculating the tonnage tax:

- Fixed/deemed profit calculated using 4 tonnage size groups.
- Based on net tonnage.
- The calculated profit is taxed against the statutory CIT (corporate income tax) rate, or in case of individual entrepreneurs, with individual income tax. Belgium has 5 tonnage size groups including a special low rate for qualifying large vessels (above 40,000 ton) subject to age conditions.

Since 2009 Dutch authorities proposed to reduce the tonnage tax rate for larger vessels substantially. From a tonnage of 50,000 net ton, the tonnage rate will be lowered to €0.50 (\$0.71) per 1,000 net ton per day.

Who qualifies

- Entrepreneurs, e.g. individual entrepreneurs, foundations, legal entities, partnerships, permanent establishments.

- Denmark: only legal entities can opt for the tonnage tax system.

Qualifying activities

- Operating vessels in international traffic; also dredging and towing activities can qualify under most systems, under condition that more than 50% of these activities take place at sea.

- The vessel owner/bareboat charterer must exercise certain management activities with respect to the vessel.

Qualifying vessels/ownership

- Owned vessels (not bareboat chartered out).

- Vessels in bareboat charter.

- Vessels in time charter (only applicable if additional ownership requirements are met):

- Denmark: max 80% of the fleet's tonnage on time chartered vessels without purchase options (if a time charter vessel has a purchase option it is regarded as an owned vessel).

- Belgium and the UK: max 75% of the fleet's tonnage on time charter.

Lock up period

A choice must be made in year one and is fixed for 10 years, whether opted for the tonnage tax regime or not. Exceptions are:

- Belgium: opt at any time; choice fixed for 10 year period.

- Poland: choice to be made until 20 January of the first year of the tonnage taxation period or, in the case of a shipping company commencing the activities subject to tonnage taxation in the course of the tax year, until the day preceding the day of commencing these activities; the choice is fixed for 5 consecutive years.

Capital gains

- Capital gains are not subject to additional tax.

- Deferred tax liabilities: valuation at fair market value upon entry into system and claw back rules on hidden reserves realized during lock up period.

- Deferred tax liabilities disappear after the lock up period: usually 10 years, Poland 5 years.

- Capital gains derived during the lock up period are part of the tonnage tax tax base (not subject to tax).

Exceptions are:

- France: capital gains are subject to regular statutory tax rate.
- Poland: capital gains on sale of vessels will be taxed against a flat rate of 15%; a case tax exemption applies when reinvested in a purchase, co-ownership, modernization, renovation or rebuilding of the shipping fleet within 3 years from the moment of sale of that vessel.
- UK: no deferred tax liabilities.

Flag requirement

EU/EEA flag requirement (Germany: register requirement instead of flag requirement).

Ship management companies

From 2006 on, the tonnage tax regime has also been available for entrepreneurs conducting ship management activities. Since the fixed tonnage tax rates have shown to be higher than the actual profits, it is now proposed to introduce a 75% discount on the tonnage tax base for ship managers.

2.2 The Norwegian Model

The Norwegian model, introduced in 1996, is based on the EU guidelines and implemented by Norway (EEA member, not EU member) and Finland. The EEA is also bound by these guidelines. In the Norwegian model the taxation of the operating profits is deferred until profits are distributed, the company exits the tonnage tax system or the company is liquidated. A company subject to this tonnage tax system must pay a tonnage tax based on the net tonnage of the vessels.

Calculating the tonnage tax

- Tax calculated at a degressive tax rate. Finland has 4 degressive size groups, Norway 3.
- Based on net tonnage.
- Tonnage tax is not part of the taxable income.
- Norway applies environment deduction for qualifying environmental friendly vessels.
- In Finland tonnage tax is calculated and paid on a yearly basis; dividends distributed by the tonnage taxed company are fully taxable for the receiving company.

Who qualifies

Legal entities; in Finland legal entities and permanent establishments, in Norway only Norwegian Limited Liability Companies.

Qualifying activities

Operating vessels in international traffic. Entrepreneurial activities on non-Norwegian continental shelf, leasing out in bareboat, some domestic supply, seismic, anchor handling, tugs and stand-by vessels also qualify.

Qualifying vessels/ownership

- Owned vessels.
- Vessels in bareboat charter.
- Vessels in time charter (Finland: max 50% time charter, only EU flagged chartered vessels and only applicable if additional ownership requirements are met).

Lock up period

- Norway: opt every year (exit from the model will result in exit taxation as if all assets were realized at fair market value).
- Finland: fixed 10 year period.

Capital Gains

- No capital gains taxes need to be paid as long as profits are not distributed. In Norway a participation exemption applies to shareholdings in companies residing in the EEA. This also applies to shareholdings in companies outside the EEA provided that the company is not regarded as resident in a low-tax jurisdiction and certain ownership conditions are met.

Gains derived from realisation of shares in companies which do not meet the conditions for the participation exemption are exempt from tax if they constitute a qualifying asset under the tonnage tax model.

However, such gains will be taxed upon distribution or upon exit from the tonnage tax model.

Other capital gains and financial income are also taxable at a rate of 28% when the company is subject to tonnage tax.

- Norway: no deferred tax liabilities. Finland: tax deferral. Valuation of fixed assets at fair market value upon entry into the system. Taxation of capital gains at normal tax rate under regular taxation rules through indirect gain recognition method. This may be realised during tonnage taxation period, but the fair market value at the time of the entry limits the taxable amount. Taxes are paid on a yearly basis (if any); tax deferral does not disappear after the lock up period.

- Profits that were taxed under the tonnage tax regime are subject to 28% tax if distributed.

Flag requirement
EU/EEA flag requirement.
Ship management companies
No possibilities.

2.3 The Greek Model

The Greek model was introduced in 1957 and implemented by Greece, Cyprus and Malta. The calculation methods applied by Cyprus and Malta differs slightly from the Greek one. The Greek model is mandatory for vessel owners who derive income from shipping. First the taxable gross tonnage must be calculated by multiplying coefficient rates by each scale of gross registered tonnage. This taxable tonnage is multiplied by an age corrected rate.

Basically, in this model the shipping activity is taxed. In addition to that, all distributions are exempt from taxation up to the beneficial owner no matter how many intermediate holding companies are imposed. The Greek tonnage tax covers all vessels and all shipping activities.

In terms of Maltese law, the tonnage tax regime is mandatory for vessel owners only in the sense that the registration fee and the annual tonnage tax are payable irrespective of whether or not the vessel owner or charterer makes use of the benefits and concessions contained in the Maltese tonnage tax regime.

Calculating the tonnage tax

- Taxable tonnage of the vessel calculated based on coefficients using 6 tonnage size groups.

- Coefficients multiplied by taxable gross tonnage.

- Tax calculated by using a tax rate that corresponds with the age of the vessel. Cyprus uses 4 size groups and applies 25% deduction for vessels younger than 10 years; an additional 30% deduction can be obtained if the vessel management is performed in Cyprus.

- No CIT or dividend tax is levied on shipping profits.

Malta uses 8 size groups and applies a fixed amount of tax per group + amount of tax for exceeding tonnage.

Lock up period

- Greece/Malta: mandatory system.

- Cyprus: optional system (mandatory for vessels flying the Cypriot flag).

Capital Gains

- Capital gains on vessels are not taxed.

- No deferred tax liabilities.

Flag requirement

- Greece/Malta: Greek/Maltese flagged vessels qualify.

- Cyprus: EU/EEA flag requirement.

Ship management companies

- Greece: not taxed if put under special regime.

- Only possible in Cyprus. Vessel management companies may choose on an annual basis to either be taxed under the tonnage tax system or have their net profits subjected to Cyprus corporate tax at the flat rate of 4.25% under certain conditions.

In Greece tonnage tax extinguishes the tax liability of the owner and if the owner is a company this extends to shareholders. Tonnage tax also extinguishes tax liability in relation to operating profits, capital gains arising out of the vessel sale as well as liquidation proceeds.

Who qualifies

- Greece/Cyprus: entrepreneurs, e.g. individual entrepreneurs, foundations, legal entities, partnerships, permanent establishments.

- Malta: a legal entity, qualified as a 'licensed shipping organisation': a limited liability company, a partnership, whether 'en nom collectif' or 'en commandite', a trust or a foundation, any foreign body corporate or other entity enjoying legal personality, which has established a place of business in Malta.

Qualifying activities

- Greece: ownership qualifies, not activities (the location of the management is of no significance).

- Cyprus: same as the Dutch model.

- Malta: a 'shipping organisation' as a whole must qualify by carrying out shipping activities with own or charter vessels in international traffic.

Qualifying vessels/ownership

- Greece/Cyprus: vessels registered here. For non Greek flagged vessels, a special regime applies to the operator.

- Malta: Malta registered, qualifying tonnage tax vessels (>1000 ton; smaller vessels cannot qualify, unless the Minister of Finance declares such vessels to be 'tonnage tax vessels').

3. Benefits and drawbacks of tonnage tax regimes

The key objective of the tonnage tax regime is to create a business environment which will deliver a number of real advantages for all shipping companies entering the regime. The related domestic business activities, supporting a vibrant shipping industry effectively managed and operated from within the jurisdiction, will constitute further growth in tax base (employment and business income) along with the additional or new tonnage tax income.

Key benefits include:

- *Simplicity* - Straightforward and clear-cut tax calculations are the hallmarks of the system. In case of pure shipping companies, it will minimise administrative and compliance effort regarding the computation of annual tax returns with accompanying cost savings;
- *Increased cash-flow for vessel operators* - Low effective tax rate will make shipping companies internationally more competitive;
- *Certainty* - The level of tax will be known, thereby decreasing the need for the company to make provisions in its accounts for deferred taxation;
- *Flexibility* - Companies will have more freedom to make decisions that are commercially driven and are not primarily informed by taxation considerations;
- *Clarity* - A company's tax position will be more easily understood, making the company more attractive to investors and potential business partners;
- *Compatibility and competitiveness* - It levels the playing fields between domestic and international counterparts in cases where at least 15 other important maritime nations have introduced similar notional income tax systems;
- *Employment and training* - It creates opportunities for local cadets and seafarers;
- If jurisdictions impose some sort of *training requirement* - It will be accompanied by an increase in the availability of trained seafarers to the shipping industry; and
- *Economic activity not ownership* is rewarded - Ship management companies must qualify.

A tonnage tax regime could have adverse economic consequences for operators if there would be a cyclical downturn in the international shipping industry. Similarly, a start-up firm investing in new vessels may find the standard corporate tax system more attractive due to the available accelerated tax depreciation provisions. Key drawbacks of a tonnage tax are as follows:

- The incidence of tax could be high - In cases of an economic downturn in the shipping business with declining turnovers with subsequent declines of freight rates, high operating cost, especially if the operator owns a significant net registered tonnage;
- The notional income tax is payable even if operators turn in a loss situation;
- Once a company has opted for a tonnage tax election, most jurisdictions stipulate a lock-in period of ten years, as constant switching in and out of the preferential tax treatment is accompanied by complex transition rules which are difficult to administer. For example, in times of declining world trade companies may suffer in terms of the tonnage tax an excessive tax burden and would be forced to opt out of the tonnage tax dispensation. In such situation, the shipping firm will be in terms of the standard tonnage tax dispensation be debarred from re-entry for ten years; and
- Since most jurisdictions regard a tonnage tax system as a preferential taxation regime, it commonly comes with a host of other government conditions such as the creation of reserves or training requirements for domestic cadet officers and crews.

Consequently, any shipping company before opting for the preferential tonnage tax system must judiciously assess its complete financial position before such election can be exercised.

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From Viral Marketing to Social CRM

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Abstract

The expansion of social networks begins to put their stamp of increasingly powerful over all economic activities. Traditional client translates himself into center of social networks and thus becomes a social client, resulting in chain reactions; marketing campaigns taking place in its environment, called generic viral campaigns are ones that wake them interest against traditional. Social CRM is not just promotion and useful information about brands and products, it means establishing a relationship between client and organization with viral marketing and social networks implicitly.

Kez words: viral marketing, social networking, social client, Social CRM
J.E.L. classification: M15, M31.

1. Introduction

Nowadays, is no longer enough the quality of merchandise to achieve a lasting competitive advantage; a good product must be promoted through a well-developed marketing and a policy consonant with the new market's technologies. The secret of success comes down to understanding the market rules and recognition of market's opportunities used effectively once its were identified.

The new informational technologies have raised the ball to the net in marketing domain, too: traditional marketing's area is not successful anymore, its place being taken by viral marketing. The time of flyers and leaflets from mailboxes is gone, their place being attributed to those who are using the internet, advertisements are being sent not only by e-mails, websites, blogs, forums, messenger but also by sms, games, funny commercials, word-of-mouth and word-of-

mouse.

The theme's actuality is ensured by the fact that nowadays viral marketing attains culmination and I tend to believe trend will not change for the few next years, the importance of studying this phenomenon it's justified through the fact that internet users interact, consciously or not, with this phenomenon. More than this, the users are choosing to play this "game", sharing the commercial because they consider it original, funny and worthy to send to friends and other connections.

2. The actual stage of knowledge

According to renowned experts P. Druker and Ph. Kotler even though the first practical marketing activities date in Japan since eighteen century and in USA [1] since middle's nineteen century, marketing is officially recognized like science barely in 1935 when National Association of Marketing Teachers, predecessor of American Marketing Association, define it for the first time[2].

Over time, the marketing has suffered various transformations; most significant was noted in the last ten years due to the unprecedented influence of modern informational and communicational technologies upon this phenomenon.

The name "viral marketing" was given to this new marketing generation by

Tim Draper and Steve Jurvetson [3] in 1997 observing a new fact: the Hotmail website reaches the performance to convince in a year twelve million people to register on its website by inserting at the end of each email the message "You can open a free e-mail to <<www.hotmail.com>>".

Once the start was given, marketers from big companies began to use this new type of advertising. Currently, viral marketing has covered the whole Internet being ubiquitous

in one form or another in every corner. Only who doesn't use the Internet don't interact directly with him.

CRM (Customer Relationship Management) is a concept that brings together under one umbrella the methodology, applications and the ability of companies to manage customer relationships in an organized and efficient way. Through a CRM companies obtain, record and filter effectively in real time important information about partners and potential business partners. These applications became vital tools for the efficient running of business companies because provide valuable information about market operating company, information underlying the strategies by which a company seeks to impose.

In the last period a new trend has been observed on CRM: going from a well done in terms of technology CRM and adding a social component for studying the customer in its ecosystem to establish an effective relationship with him, it has been obtained the Social CRM.

Currently in the literature there are only two definitions for this new type of CRM. According to Michael Fauschette, Social CRM is a mix of tools and processes to ensure a stronger interaction with customers through collective intelligence in order to better understand customer needs [4].

In his book, "CRM at the Speed of Light: Essential Customer Strategies for the 21st Century", Paul Greenberg believes that Social CRM is different from that traditional by the fact that has the role to engage the customer in conversation in order to obtain information about what he wants and his needs and expectations [5].

3. From Viral Marketing to Social CRM

Viral marketing wins his supremacy in front of his older brother, traditional marketing, because it gains the consumers' trust, who are in the spotlight more than the advertised product. Moreover, the consumer feels comfortable interacting with this type of marketing because it has no feeling that something is sold and he helps further the propagation campaigns starting from the premise that the recommendations come

from people who like and trust each other. Another important aspect, this time for marketers, refers to costs, viral marketing being much cheaper than one traditional, with much a larger customer coverage rate.

Opposed to traditional advertising campaigns, the purpose of viral marketing campaigns is not only to post regular online ads, but also to create an interesting message, which will be the guarantee that the product promoted is as interesting.

Also, the philosophy that viral marketing is guiding is particularly interesting: it creates buzz that is being identified with a "noise", its purpose being spoken of as a brand to be a permanent and continuous presence in the lives of consumers.

Sustained by viral campaigns on social networking sites like Facebook and MySpace [6], companies can reach millions of potential customers with minimal cost and effort. By creating a company profile in any social networks, organizations can quickly disseminate information, such as discounts and offers. When someone from one of these networks gives "like" or recommended to his friends the company's page, all friends that is in contact with will be notified of events that organization. Thus, the information is spread exactly on the same principle of spreading a computer virus.

The name "viral" comes precisely from the way of propagation of the ads that mimics virus, the difference being that instead of virus is a marketing message that is produced and sent by the company which launches a viral campaign, and people are those who agree to willingly transmit this message to friends and acquaintances.

Viral campaigns have an amazing force of conviction because with their help the public internalize its message and it assimilates its own convictions. The target of these campaigns is the customer who uses the internet in a day to day basis called generic social client.

The prestigious company, Forrester Research, after a big study, groups the types of social client in seven categories [7]:

✓ creators (24%) – are those customers who write articles or comments, post them on their own account or blog / website, create images or videos with their favorite product, etc;

- ✓ conversationalists (33%) – they just update status on their social network account about products;

- ✓ critics (37%) – this type of customers participate actively by posting comments or reviews on other blogs, forums, websites;

- ✓ collectors (20%) – are using information about products or companies from the internet for their purpose

- ✓ joiners (59%) – they just visit the social networks

- ✓ spectators (70%) - are those clients which read information that is posted on forums, blogs, social network, reviews from websites;

- ✓ inactives (17%)

The main categories of products, services and information which are seek by social client and are strongly promoted by viral marketing campaigns can be grouped in the following classification:

- ✓ discount coupons

- ✓ information about nutrition and diets

- ✓ recipes

- ✓ demonstrations of the product in action

- ✓ tips and fashion trends

Regardless of the above mentioned category of the fall, social customer profile can be drafted by some specific features [8]:

- ☐ use online social channels like Twitter, Facebook, MySpace, Yahoo 360 to inform and to discover new brands

- ☐ grant confidence to community's recommendations by set a high value on its feedback about brands

- ☐ doesn't respond to spam or promotional offers, but gives attention to relevant information that satisfies specific needs

- ☐ expect that product to be present and active in his social sphere and ask him for feedback even though whether it is favorable or not

- ☐ pretend to be listened to and involved when he needs the company's services, not when company needs customers

- ☐ can interact with a brand through multiple channels simultaneously and is expected to receive a reply where he is currently

- ☐ controlling the relationship with the brand, because it must win his trust not vice versa.

Since 2000, customer and his business behavior were analyzed using traditional CRM's. However, from 2007-2008, the concept of CRM began to change through the "assimilation" of a social component, namely the phenomenon of online social networking of customers who have become social clients and arose as Social CRM.

Social CRM does not replace the classic one, but it wants to be an extension of its[9], the difference consisting in social centering on customer in the middle of all processes. The search engines, social networks, sites of recommendations, forums and blogs have brought a major change in customer's mentality, buying decisions being influenced more than opinions and views of people with identical or similar interests.

The classic, transactional and operational model of CRM is guided by the "360-degree view of customer", the role of this vision being to obtain an overview regarding the real value of the client for company. In contrast, Social CRM goes on a different principle, "a company like me", which means that each client has the opportunity to create a personal and interactive relationship with a company, product or service that respond as fully as his expectations, but also to company. The purpose of this special relationship is to create a client as loyal and good and turn it into a supporter. There is a fundamental change in the relationship between the client and the company now being in the same position, the partnership [3].

The principle that describes how does a Social CRM works is LARA, which means [10]:

Listen -> Analyze -> Relate -> Act

Increased global use of social media presented a huge opportunity for companies seeking to win new customers and to retain existing ones. Today it is much easier for companies to identify new prospects and customers and determine their needs and concerns with Social CRM systems[12].

Surprising is that major producers of CRM from marketplace as SAP, Microsoft, Epicor, etc. have not yet released Social CRM solutions, in this niche appearing new companies hoping to conquer the market with their products. According to Gartner analysis, the figure no. 1 presents the main producers of Social CRM worldwide.

Figure nr. 1 The major producers of Social CRM



Source: <http://www.liventerprise.com/news/3652/>

But it must admit that the Social CRM has limitations: into audience cannot be included than those who use the internet, and here most often are disadvantaged elderly and the in rural areas. The solution for them that cannot be touched by a viral campaign is the call to traditional marketing. However, the conventional and viral marketing not mutually exclusive. Instead, they can work well in teams: through conventional marketing create an identity of the product which is completed by a viral campaign to generate buzz and constant media exposure[8].

Another important aspect that needs attention is paid to social network related. Both, producers of Social CRM and the market research analysts must be sure that Social CRM adjusts social network that is used to the geographical area in which CRM is implemented. For example into China, Japan and Korea is not use Facebook or Tweeter, but exist there another social network [11].

If we shall anticipate Social CRM evolution one thing is certain: from being a strategy of a company will reach an ecosystem strategy, by ecosystem understanding a blend of different companies, clients and social networks working together in order to obtain each added value.

4. Conclusion

Viral or traditional, the marketing remains the same, regardless of environment it is practiced or type of activity performed. Giving to Caesar what is Caesar's, the unprecedented influence of modern informational and communicational technologies, especially social networks, must be assessed over the marketing phenomenon.

Through the Social CRM is created a healthy symbiosis between company and social customer, beneficial for both sides: the companies can find out what client really wants from their products, this fact helping companies making them better and the customer receives what he wants: the product made by his self-will.

However, the role of traditional CRM should not be despised because it manages to get where the internet and Social CRM fail to make their presence felt, that's why is strongly recommended for a highly efficiency using both of them. The slogan "our customer, our master" is still current and will be as long as companies will exist to offer their products.

5. Research Methodology

As regards methodology, the approach is intended to be abduction. This means that from a series of concepts, articles, case studies about viral marketing evolution it explain the emergence of some consequences, into this case the appearance of Social CRM . Research strategy is non-experimental, type of case study, transversal and qualitative.

For searching and data collection were used techniques for collecting mediated but also direct investigation by used bibliographic achieved through: studying the most important books published in the field, articles and consulting sites that promote ideas, concepts, materials or solutions of interest in related themes.

To analyze the data collected are used in theoretical triangulation, the theme being addressed from several perspectives: being case of social networking software and computer is imperative approach, looking from another angle software that handles the marketing and be seen also in terms of

marketing. Another method used is that of scientific observation.

6. Acknowledgment

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Crisis – Achilles' heel

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Abstract

The world is in a state of uncertainty; it may be an economic, social, political, moral, military, cultural, religious crisis... The international entities such as the International Monetary Fund, the European Financial Stability Facility, United Nations Organization, etc. collaborate for enforcing anti-crisis measures and Greece tries to pull out the arrow from Achilles' heel. The ethics and economics principles sometimes seem insufficient for more flowers than weeds to grow in a planetary garden. In this context, this study emphasizes the importance of reconsidering human values, especially the cultural and religious ones in order for the society to deal with permanent changes and pressures to which it is submitted.

Key words: globalization, crisis, new world order, surveillance practices, responsibility.

J.E.L. classification: F02

1. Introduction

According to the Romanian language explanatory dictionary the crisis represents the violent manifestation of contradictions: (economical, ideological, political, military, etc.)[1] Appealing to Greek etymology, we identify the expression "kerisis" which means judgment or decision. The conjuncture factors made this word evolve in time. In 16th century Latin it was "crisis" and in nowadays Romanian it is "criză". But what kind of crisis? Economical, social, political, moral, military, cultural, religious...? It is hard to say.

2. Etymology of the word crisis

If we refer to the Greek etymology of the word crisis, having as significance the meaning of "judgment" and if think that this new crisis wave began in Greece we may say that the crisis is at home.

Greece may be Achilles' heel in European Union. If this vulnerable area of the community is to be revived in time, through the loans granted by the European Financial Stability Facility or by ceasing payments to creditors, it shall certainly be submitted to very strong pressures to apply austerity measures and thus the poison shall not penetrate the entire body.

The most recent austerity measures of October 20th 2011 for the approval of a new loan instalment of 8 billion Euros from the International Monetary Fund imply the diminution of wages, pensions and the increase of taxes and duties. These measures led to the increase of population grievances and outbreak of social tensions.

"Therefore and consequently the Greeks were trading on the sea. Therefore and consequently they were trading with Greeks."

But how generous is or will be Greece with other countries regarding this crisis. "There are enough fears regarding a possible domino of breakdowns, involving other PIIGS states as well (expression used for the states with problems in financing the public debt – Portugal, Ireland, Italy, Greece and Spain). Furthermore, for the first time since the beginning of the crises IMF warned France (second economy in the Union). The reason was the dangerous mixture given by exposing French banks on debentures issued by the states with problems (especially Greece)."[2]

The crisis affected all economic branches and tourism was not an exception, still we must observe that "Europe remained the most

visited destination in the world and in 2009 with a share of 52.5% in the total world arrivals. The region's tourism upsurge results mainly from the strong expansion of tourist flows in the countries of Central and Eastern Europe, mainly Czech republic, as well as traditional Mediterranean destinations such as Spain, Greece, Italy." [3]

According to World Travel and Tourism Council publications, in Greece a direct contribution of 5.6% is foreseen in Greece for 2011 for the travelling and tourism sector for GDP achievement and a total contribution of 15.8% of travelling and tourism sector in GDP, representing a high enough level in comparison with other countries. In Germany for example, a direct contribution of 1.7% is foreseen for the travelling and tourism sector for GDP achievement and a total contribution of 4.6% of the travelling and tourism sector to GDP. A deeper analysis in this respect whose source was "The 2003 Travel and Tourism Economic Research" stipulated that "we shall ascertain that the first ten countries with the highest dependency degree regarding tourism export, that is the ones presenting the most accentuated specialization in this field, are countries with poorly developed economy or developing countries." [4]

The countries that went through crisis moments: Great Crisis of 1928, Cameron Crisis 1980 – 2001, Russian Crisis of 1998, Mexico Crisis in 1994, Asian crisis of 1997, Argentina Crisis of 1999 – 2002, Romanian Crisis of 1999, ERBM Exchange Crisis in EU (1992 – 1993) have to think in a "profoundly deficient system". As long as capitalism triumphs, money earning prevails above all other social reasons." [5] or they shall be more reserved and remember the old saying "Beware of Greeks bearing gifts". Shall the strong countries open their city gates or shall they be more prudent thinking of a possible Trojan horse?

The first globalization period, marked by theoreticians: Ricardo with "Competitive Advantage" and Say with "General Law of balance", is the liberalization period. In this stage gold represents the economic standard. [6] In that period tariffs were considered very important in an efficient trade but the imbalance between request and offer could be automatically corrected. Pax Britanica (the period when the British Empire

dominated world's oceans) and the exchange of goods in cash were representative for that period.

In the second period, 20th century, after the Great Crisis of 1928 and the Second World War, the term of *new world order* is used more and more frequently. [7] The promoters of this expression, Woodrow Wilson and Winston Churchill, used it to refer to a new period of history attesting the dramatic change in world political thinking and shifting the power balance. The idealist and liberal proposals regarding the necessity of a world government contributed to creating international organizations: United Nations Organization and NATO as well as certain international agreements, such as Bretton Woods system and General Agreement for Tariffs and Trade.

3. International cooperation

UNO has five permanent members, respectively the five victorious powers of the Second World War (China, France, Russian Federation, United Kingdom, United States of America) concerned with insuring world peace, observance of human rights, international cooperation and observance of international law.

Among the issues representing important preoccupations of UNO are the demographic and economic development ones.

In a communiqué of May 3rd 2011, this organization specified: "World population may reach seven billion this year, respectively 9.3 in 2050 and 10.1 billions in 2100." [8]

Also, in this report called "World Demographic Perspectives" it was performed a classification of world states by birth rate. Thus, three states categories were ascertained: with high birth rate (39 countries in Africa, 9 in Asia, 6 in Oceania and four in Latin America) representing 18% of the world population; with a medium birth rate (countries such as India, United States, Mexico and Egypt) representing 40% of world population and the rest of 42% have a low birth rate under population replacement threshold (all European countries, China, Brazil and Russian Federation).

Analyzing GDP/inhabitant (in USD – current prices) of the five great powers that are permanent members of UNO in the

period 2008 – 2010, we ascertain the following situation: in 2008 China registered 6,250 USD, France 34,550 USD, Russian Federation 19,680 USD, Great Britain 37,490 USD, USA 47,100 USD; in 2009 China's level was 6,860 USD, France 33,940 USD, Russian Federation 18,260 USD, United Kingdom 35,640 USD, USA 45,640 USD; in 2010 China's level was 7,570 USD, France 34,440 USD, Russian Federation 19,190 USD, United Kingdom 36,590 USD, USA 47,120 USD[9].

Thus, we can deduct that USA is the host.

The first financial order example with complete negotiations intended for regulation of financial relations between independent national states was the Bretton Woods System. The agreement signed at Bretton Woods totaled 20 articles representing the I.M.F. statute.

In IMF statute modified in 2007, in article IV, the supervision function is stipulated. The supervision environment that must ensure best practices was updated in June 2007, for the first time after 1970, by adopting the Decision regarding the Supervision of Economic Policies of Member Countries. The consolidation of supervision practices began in the financial sector through the Financial Sector Assessment Programme (FSAP).[10]

In the third period after 1970, globalization met new dimensions due to the development of organizational technique and development.[11] If we think about Mecca and the role this city had in Pre-Islam we can say that after this year, this role shall be taken by the United States for European investors. The greatest investors in the United States of America are not the ones from Middle Orient but the Europeans represented by countries such as: Holland, England, Canada, Germany, Switzerland, Japan and France.[12]

Over time, great efforts were made to draw attention over severe problems of mankind. Thus, Brandt report expresses the concern of deepening the gap between north and south; Brudtland report succeeded in launching a new formula: durable development meaning the capacity of preserving the environment and chances of future generations."[13]

In the last 50 years a series of pleasant or unpleasant, desired or undesired events

succeeded, "which mined the great ideological systems wanting to be based on reasoning and which developed the idea of natural progress of man and the ideal of collective happiness: Shoah, the failure of student revolution in the 60s-70s, the economic crisis, the disillusion regarding communist ideologies, fall of Berlin wall and regimes in the East, the ever increasing poverty in the third world."[14]

It is not difficult to think that "God generously gives us all that we need more than money, such as: air, water, fire, sun and others as such. As one cannot say that the rich man feasts more abundantly from sun than the poor; one cannot say that the rich man breaths more air than the poor, but all was given equally to all. Therefore, why God shares equally to us all the most important things, the most needed things, with which we live, and the small ordinary things, such as money for example, He does not share equally? So that our lives are kept and we have more arenas for virtue."[15]

In this crisis period an analysis of the state of affairs must be made. "In order to understand this, think of a garden with flowers and weeds."[16], that must end with a decision on global level for the entire mankind and "If the weeds are cultivated, they would grow, and the flowers will be overwhelmed. If the flowers are cultivated, they would grow and the weeds will be overwhelmed."[17]

4. Conclusions

Regardless if we speak of flowers or weeds, currently "we notice the coexistence of increase of wealth and inequalities. (Actually, by calmly analyzing the statistics, it appears that not the absolute poverty is increasing but the relative one.

"Today's economy is limited to competition and it forgets that the ultimate purpose of economic activities is not to win or defeat the others but to ameliorate each one's living conditions."[19]

The amelioration of the state of affairs can be performed considering "The dynamic reciprocity between world rationality and human rationality..."[20] analyzed as "profound connection between man and world, as well as man's special responsibility."[21]

Everybody is better than before, but the fracture between the poor and the rich deepens incredibly).”[18]

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Complementarities between the Internal and External Audit – Base for Increasing the Efficiency of the Financial and Economical Activity of the Public Entities

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Abstract

Starting from the fact that both the external and internal public audit have as common purposes to improve the economic and financial activity of the public entities and also to contribute to the proper management of creating and using public funds, it is necessary that the two activities complement each other.

The basic concern in this paper is that starting from the role and importance of the two forms of audit, to be able to identify areas where these complete each other in an effort to optimize the activity audited.

Key words: internal audit, external audit, public entity.

J.E.L. classification: G29, O52.

1. Introduction

At this stage, when the public entities are promoting the efficiency criterion, any public entity leader is interested to operatively know how the available funds are being managed so as to achieve maximum results with lowest costs. This knowledge can not be achieved without the contribution of the internal audit, an activity that provides important information regarding the financial management and the heritage state, thereby contributing to achieving the objectives of the institution. The contribution of the internal public audit to the effort of streamlining the activity of the governmental entities is made through assurance and counseling missions provided to the leadership people for a better management of the revenue and of the public expenditure, through a continuous evaluation and

improvement of the internal control and through the analysis and management of the risks.

The external public audit work done by the Court of Accounts, as the supreme audit institution in our country, is essential for ensuring accountability on the management of public funds. The responsibility for using the public money under legal and performance conditions is, of course, entitled to the officers of public budgets, but the public audit is the one that assesses the financial management of the entities and that issues recommendations that stay behind taking managerial decisions aimed at a better use of the funds. By auditing the execution accounts of the budgetary funds and of other public funds it is intended to see if all the financial resources of the state and of the public sector have been used in an efficient and appropriate way in the purposes and according to the destination established through the budgetary laws.

2. The need for collaboration between internal and external audit

The need for collaboration between internal and external audit should have as cornerstone at least the following arguments [1]:

- management awareness regarding the need to implement the internal audit function within their own entities;
- additional assurance that internal audit is independent;
- assuming the implementation of internal audit;
- a more complete awareness of risks, both by the management and by the auditors;
- minimize duplications;
- professional exchanges of problems;

- common professional training;
- personnel mobility between the two structures;
- corroboration of audit plans and programs;
- sharing relevant information and ensuring an effective communication;
- understanding one's role by each party;
- a more attentive clarification of the two activities;
- eliminating the institutional rivalries or even the competence between the two activities;
- exerting a smaller pressure over the audited entities;
- creating a common culture of the audit in the public sector;
- achieving real compatibilities with similar structures in Europe.

The purpose of the Court of Accounts of Romania, as a public external audit structure, is to examine the existence and functionality of the internal control system, which means that it will evaluate the internal audit activity and thus provide the feed-back for this entity function.

To this extent, the external public auditors should mainly analyze:

- the organizational status, respectively whether the activities of financial control and internal audit are organized and function according to legal regulations;
- if the internal audit activity is carried out based on a plan, if it is supervised, reviewed and properly documented;
- if the internal audit included the high-risk activities and whether it is based on audit procedures applied to specific activities of the public entity;
- compliance with legal provisions and methodologies regarding making specific paperwork, obtaining results and formulate opinions;
- the manner of implementing the recommendations formulated in the audit reports;
- if there are any constraints or restrictions from the management involving the organization and pursuit of the internal control and internal audit activity.

According to the International Auditing Standard no. 610, "the external auditor should analyze the specific activities of the internal audit and their effects, if any, over

the external audit procedures." [2] An effective internal audit allows modification in the nature and duration of procedures performed by the external auditor.

In my opinion, the collaboration between the structures performing internal audit and those performing external audit involves a number of advantages for both parties, as well as entities such as:

- first of all, the internal audit has a better understanding of the risks from the entities in which operates and can provide useful information in some areas of the external audit;
- second of all, the internal audit is more involved in knowing the entity, having access to information that can not be reached by the external audit and from these reasons the collaboration is imperatively necessary.

In turn, the internal audit, by working with the external audit, can improve its field intervention methodologies, can develop its testing programs and can make use of the insurance given by the external audit to the audited entity.

Where there are internal audit committees, these should encourage this cooperation based on the principle of profession complementarities, given that there are real advantages to working together. Also, they should not only consider sharing the knowledge on the audit missions completed, but also a possible alignment of behavior standards of the two professions.

Making a quality audit involves a proper communication from both parties and contributes to strengthening the collaboration relationships and in time to achieving mutual trust.

I believe that the external audit should be the one to take the lead in this partnership, taking into consideration the need for annual assessments of the public entities and the logic to start, in this evaluation from the findings and recommendations of the internal audit.

The collaboration possibilities are numerous and always require to be rethought in light of developing audit techniques and tools, but also a good practice in the field.

3. Ensuring the complementarities between the internal and external audit

Complementarity represents the quality to present a complementary character, to be composed of complementary parts (that complete each other).

Starting from the fact that both the internal and external audits have the same goal, namely to improve the financial and economical activities of public entities, it is natural that between the two activities exist complementary relations, rejecting exclusivity of any kind. The basic motto of the two types of audit should be: collaboration and communication.

The internal audit is a complement of the external audit, because where there is the internal audit function, the external auditor is normally inclined to differently appreciate the quality of regularity, sincerity and the true and fair view of the submitted accounts. In practice, it may even get to use some internal audit work to formulate its opinion or to support its demonstration.

At the same time, the external audit is a complement to the internal audit, given that where a professional has exercised its job, we have a better control and a professional element of comparison. The internal auditor may come to benefit from the external audit's works in order to formulate his recommendations and to support his conclusions. Moreover, the external audit must operate from the evaluation of the internal audit, thereby closing the feedback of the internal auditing. [3]

In Romania it is found that the relationship between the Court of Accounts, as the external public audit institution and the internal audit structures occurs, to some extent, based on distrust and lack of mutual understanding of one's activity. The result is that the external auditors do not trust and do not use the work of internal auditors and the internal auditors do not properly confirm and implement the recommendations of the Court. So, by taking into account these activities, the Romanian Court of Accounts as the supreme external audit institution and the Ministry of Public Finances, through the Central Harmonization Unit for the Public Internal Audit, as a specialized body of central public administration which develops, manages and implements a unitary strategy in

the field of the internal audit unit in the public sector can work together closely to ensure the stability and complementarities of the two audit systems and their components.

4. Complementarily determining factors in achieving internal and external audit work

In the evolution of the internal and external audit activity, not infrequently the intersection of the audit missions was beneficial for both parties, these complementing each other at informational level, but also because the results of one's activity was the initiator and / or shutter for the activities of the other one . Also, as an appreciation of the work of the auditors engaged in a system or another, they have contributed to implementing recommendations for others, although these functions were not determined in advance as required.

4.1. Common methodological coordination in the public audit

Methodological coordination is an important activity so that, by using specific techniques and instruments, the conclusions and recommendations of auditors to be compatible.

This coordination will lead on the one hand, to increasing the confidence of the Romanian Court of Accounts, as external public audit structure, which can rely on the reports of the internal auditors at the same time can use them as starting points in their own activity.

On the other hand, the internal audit structures can redirect their activities according to the findings and opinions of the external audit, thus ensuring an avoidance of effort and resource duplication allocated by the two audit institutions.

4.2. Coordinating the activity plans of the internal audit structures of public entities with the external audit structures

The purpose of this coordination of the two activities is to prevent duplication of audit work but also to complement each other, through identifying and assessing the

resulted risks, so that extensive areas from the public sector systems can be audited.

In the activity of coordinating the plans is necessary to respect certain general principles, such as:

- avoid overlapping audit periods;
- the external audit missions should be usually subsequent to the internal audit missions;
- establishing audit missions of common interest, their targets and deadlines.

There should be also established a common timetable for completing the projects of the internal audit plans for the coming year, coupled with the activity plan of the Romanian Court of Accounts.

4.3. Ensuring the information exchange in the auditing process

The parties realize the importance of exchanging information in the auditing process, which involves mutual information exchange over the development method of the audit missions and over the outstanding audit findings from the content of the audit reports.

For these reasons, in the event that during the course of audit missions there are serious doubts regarding the existence of a poor management or fraud cases, it is required that the internal audit structures and the external audit structures to inform each other, but respecting the principle of independence. Also, in order to practically achieve information exchange, the parties will proceed to the mutual transmission of important findings from audit reports, with the manager's consent.

In the spirit of the above, the parties shall invite each other to participate in meetings of audit closure in cases where they consider necessary the presence of the other party and will inform each other about how to implement the recommendations and conclusions formulated during the audit missions.

In order to exchange information, the parties will have to do the followings:

- sharing information on important findings from the audit reports with the consent of the managers;
- mutual invitations to participate in meetings of audit closure, if applicable;

- mutual information about the method of implementation of the recommendations and conclusions formulated during the audit missions.

4.4. Providing unitary professional training for internal and external auditors

Achieving unitary professional training of internal and external auditors is required to be carried out systematically in order to effectively use the results of the other entity, to achieve predetermined objectives.

In order to achieve specific goals, we consider necessary to establish a collaboration system regarding at least:

- mutual inviting of the auditors from the two structures to the courses organized under their auspices, including to those initiatives from the European Union which refer to controlling and protecting its financial interests;
- organizing debates, seminars on common topics of interest on risk analysis, the method of using the audit techniques and tools, systems for implementing the recommendations and conclusions;
- mutual transmission of information materials and novelty of the audit scope.

In order to ensure the achievement of these objectives, we appreciate the need to permanently implement the activity of a workgroup that also has the initiative of realizing this collaborative action.

5. Conclusions

Given that both the internal audit and the external one are on the same "front", take the same "battle", regardless of their different methodologies used for auditing, mutual support is required as a condition making effective the public audit activity. At the same time, we must admit that the developing relations between the two main activities are based on national tradition and culture and the lack of collaboration between the two systems is considered historic.

Therefore, the internal and external audit must begin an effective collaboration to bring that expected value from both areas and to escape from the existential fear that affects them today.

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Factors which Influence the Management Accounting Organization Way within the Framework of the Economic Entities from the Coal Mining Industry

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Abstract

This paper is aiming at highlighting the fact that the management accounting organization within the economic entities from the coal mining industry is based on few singularizing factors, particularly important in this activity field of our national economy.

Key words: factors, management accounting, mining, coal mining industry

J.E.L. classification: M 41

1. Preamble

The coal mining industry is an industry branch whose main purpose is the electricity production. The coal, mineral fuel, form together with other natural resources of the country, the energy primary sources, by means of which the electricity is produced, considered a basic branch of the national economy.

The industry territorial distribution depends on a series of **factors**, such as: economic factors, social and political factors and natural factors.

Economic factors, referring to the economic infrastructure of the territories, transports development level, proximity degree of the consumership areas, land price, capital and taxes regime, proximity of the raw materials and energy sources, such factors determined the industry development in the respective territories.

Social and political factors, from which more important are: manpower qualification level, traditions existence, strategic and ecologic reasons.

Natural factors – the natural factors of the industry location must be analyzed in terms of economic efficiency, technology specific

and raw materials nature (geographical position, relief, water availability, winds dominant direction, s.o.).

Within any economic entity, the management accounting organization so to meet the managers and their employees information requirements, needs the previous analyse of all the influence factors (which interact, coalesce or, contrariwise, they act controversially), their consequences, and then, taking into account all these, the selection of the most adequate form of the management accounting.

The management accounting organization is differentially done within an economic entity framework, depending on the activity carrying on conditions, specific features and characteristics identified in the organization factors.

According to the Romanian language explanatory dictionary, *factor*, means "element, condition, circumstance which cause the occurrence of a process, action or phenomenon".

2. The factors which influence the management accounting organization within the mining areas

According to some specialists in the field, the management accounting and costs calculation organization ways absolutely depends on a series of factors, such as: production technology, production type and its organization way, organization structure (production, conception and operational) of the unit, company size, production process continuity (permanent or seasonal), production automation degree and mechanization, etc.

The management accounting organization within the economic entities from the coal mining industry depends on a series of factors, which are mentioned hereunder, after their importance order:

✓ *technological process specific*, one of the most important factors regarding the management accounting and costs calculation organization within the economic entities from the coal mining industry refer to some particulars specific to the mining field, that is: the coal mining is "a simple and homogeneous production, that is an uniform production, which does not involve the existence of an unfinished or half-finished production (for the simple and homogeneous production, the number of the production stages is more reduced than for the complexe production, and this has as result a simplified thinking and posting of the price costs, in regard to other industry branches, as well as a classical method for the costs calculation); it is an unitary production including a multitude of partial processes united in a single great production process.

The coal production cycle includes two important types of processes : a main process, technological one, directed related to the coal mining (the face) using the mine equipment and tools; many auxiliary and service processes reuired for the main process support. The number of the auxiliary and service processes within the coal mining is determined, on one hand, by the mining size, and, on the other hand, by the mining organization level. In the framework of the coal mining site, each of the mentioned processes includes, in its turn, a series of operations done at the working place by one or more executors (teams or crews) which generate costs for materials, wages, fixed means depreciation, etc. For each operation or group of operations, an independent time norm is established. In such a way, the operation represents the start point for the labour division in a mining site, being the labour norming analyse object.

The partial processes types determination within the coal mining, based on their characteristics, smoothes in a great measure the accounting organization work, because it shows the way to be followed in the primary documentation drawing up and in a as rational as possible documents circuit

establishment. This factor influences the management accounting and costs calculation organization as regards the selection of the calculation form depending on which, afterwards, the costs carrier, calculation unit, calculation period and time, as well as the related documentation are established.

The cost carrier represents the product, order, work or service to which the expenses are related, and the calculation unit represents the production measure unit. So, in the mass production framework, we meet the homogeneous product unit cost, in this case, the pit coal, mined within a month, case in which the calculation period does not coincide with the production period.

The influence of the *technological process specific* interact also with the establishment technics of the finished product – the pit coal. Another influence of this factor on the management accounting and costs calculation organization is related to the selection of the calculation unit which must correspond as much as possible to the physical features, as well as on the foreground order of the calculation works execution (posting/registration of the expenses with the materials consumption, wages expenses, fixed means writing-off expenses, etc. caused by each production sector activity; distribution of the auxiliary activities expenses, of the overhead expenses and of those ones generated by the administration over the basic activity expenses; registration of the realized coal production at the preset price; settling up of the realized coal production actual cost; registration of the possible price differences, etc.). Practically, the production technology represents a factor of great influence for the management accounting organization, this factor representing the operations through which the resources are transformed into products, works or services.

✓ *production process organisation* represents another factor which influences in an important measure the management accounting and costs calculation organization.

This factor influences especially the organization way of the documentation for the data gathering from the places/areas generating expenditures for the production cost establishment and calculation method

selection. Thus, within the coal mining sites whose production is simple, having a mass character, within which the production processes have as a main feature the fact that the finished product is got by a processing series of the raw materials and other materials in succeeding stages or phases, the mining phases calculation method is used.

Within the economic entities from the coal mining industry, the following mining stages/phases are executed: *works preparation*, that is preparation coal drifting, preparation blank drifting necessary to the preparation of the coal mining area, water discharge and preparation works ventilation, introduction of the materials necessary to the underground coal production; *coal effective mining*, which includes operations as: coal mining through faces, mounting of the beams for the roof supporting in the coal mining and ways area, in order to assure the optimum transport of the mined coal through the ways, building of the loading holes, wood and other materials transport, etc. Other phases of the coal mining are: *the underground transport in the head ways*, (phase when the mine whole underground transport is carried out – excepted the sectorial transport – by electric engine, conveyors, cables or manually); *the ways maintenance and repair* (includes the maintenance works and the current repairs ones done to the transport ways, air heads, cross-cuts, shafts, pits, platforms, handrails, etc.); *the mine overall ventilation*, which includes exfoliation, spashing, whiting, fire devices maintenance, etc. operations; *coal surface lifting*, through vertical or inclined shafts, men and coal mining necessary materials lifting and lowering, these shafts and loading – unloading installations maintenance; *surface transport*, which supposes the unloading of the coal and blank boxes arrived from the mine, transport from the shaft to the coal storage or to the dump, transport equipment and respective machinery, boxes maintenance; maintenance and repair of the lamps range specific to the underground lighting, etc.; *transport of the materials from the storage place to the mine and shafts* (includes the transport of different materials and equipment from the storage place to the shaft, their lowering in the mine, unloading, materials storing and security, materials and

equipment delivery from the mine, etc.); coal loading in boxes (includes: coal storage maintenance works and boxes coal loading works); other works necessary to the production process (they are related to: some specific works executed acc. to the higher hierarchical organism decision, lamps and underground lighting network maintenance and repair, materials transport from the shaft to the sector, etc.).

For this type of production, the phases and products description has a stable/fix character, so, the analyticals, once built up, do not change from a period to another one. During each coal mining phase, it is found out that there is a usage of manpower and materials, which is included in the production costs per coal ton. It is very important the correct delimitation of the coal production phases, in order to perform an optimal organization of the management accounting, mainly regarding the costs calculation. In the framework of the economic entities from the coal mining industry, the calculation phases, can or cannot, coincide with the activity sectors. In the same way as the *technological process specific* factor, the factor: *production process organization* influences the cyclic character for the mass production, as well as the number and structure of the documents related to the production launching and the price costs survey; this factor determines the way of data gathering, processing and turning into account, being in direct conformity with the management accounting requirements.

The most difficult matter, but essential, for the management accounting and costs calculation organization is represented by the correct determination and separation of the production phases, which can include many operations, can coincide or not with the production section, etc. Not always the separated/delimited phases from technical point of view can be taken into consideration from accounting point of view, as expenditure places, where the respective phase expenses to be gathered and established. In a coal mining, the calculation phases do not correspond to the production sections (sectors), there is possible to have more or less calculation phases within a sector, depending on the activity volume and economic management requirements.

The mining production process organization influences also the calculation way, that is for the flux organized production, there is a cyclic character of the price cost calculation, usually it is monthly, since for the singular product production, for example, the calculation has a non-cyclic character.

✓ *organization structure* of the economic entity from the coal mining industry is another important factor which has a great influence on the economic entities organization in this field, having two components: *the managerial structure*, which includes the organizational sub-divisions with the higher level directors/managers, assuring the managerial, economic, technical and human resources conditions necessary for the production activity carrying on, and *the production structure*, including the organizational sub-divisions where the operational activities are carried on (especially the production ones).

Within the coal mining industry, the production structure is nothing much branched, that is all the raw material processing operations are carried on in a single unit, where there are screening, washing, mechanical treatment, etc. equipment, in continuous flux, without needing the separation in distinct sectors. If the production activity needs as relevant as possible detailing, for the administrative and management sector the organization of a single costs centre is adequate, where the expenses are registered by their nature, not for each department or office, organized as distinct cost centres. In such a way, the respective centres directors/managers responsibility is strengthened, the production expenses information flux is rationalized, all these determine the diminishing of the labour volume necessary to the respective expenditures registration and control. At the same time, the number of the document related to the production expenses is reduced, as well as the number of analytical accounts opened for the posting of the production expenses per costs centres.

Taking into account this criterium, the economic entities from the coal mining industry, more exactly from the pit coal mining industry, include production sectors, auxiliary sectors and operational departments. Within the basic production

sectors of a pit coal mine the coal mining is carried out, this one being the activity object of the mining. *The pit coal mining* supposes the execution of many types of works: *blank preparation works, coal preparation works (faces), mine filling, underground transport, shafts or inclined planes transport, ventilation, water discharge, underground equipment and installations maintenance, ways, box-hole raises and shafts maintenance, etc.* The auxiliary sectors (they are secondary production places) serve the basic/primary sectors, supplying different products (electricity from the power unit, water from the water unit, steam from the thermal power station), some works execution (done by the carpentry shop, mechanical shop), services supply. The auxiliary sectors also include: storing houses, lamp room, compressors station, pumps station, road transport, vulcanization shop, own centre for the personnel training, etc. The operational structure includes the technical&production department, the financial&accounting department, human resources (organization – normalization - salaries) department, environment protection department, mechanical & energetical department, labour security department, procurement department, legal office, etc.

The activities sector separation within the pit coal mining is important as regards the registration/posting way of the production expenses and costs calculation, as well as for the consumption amount establishment per responsibility centres. So, the calculation accounts specific to the economic entities from the coal mining industry are developed in analytical accounts, in production sectors, shops, mining area administration, etc. and in these ones framework, the accounts are developed in expenditures categories. In this way, through the analytical, budgetary accounting, the accounting and costs calculation can go in depth up to the level of the working places and of other departments (services, offices, etc.) in order to gain a great interest of the personnel in cooperating for the own labour results. A well-balanced organization of the costs calculation needs to establish an optimum number of expenditures places, on the basis of thorough analyses of the coal mining structure, in order to use the most adequate technics imposed for the production expenses gathering per

expenditure places and their distribution per carriers, as well as for the establishment, for each expenditure place, of their consumer's responsibility.

The factor *organization structure* influences directly the analytical accounting organization. Thus, through the production activity, the analytical accounting is organized/structured per production sectors, and in these ones framework, per works phases (blank preparation works, coal preparation works, front face, horizontal transport, vertical transport, etc.) and further on, in their framework, per expenses nature, among which the most important weight is for the direct materials expenses/costs, direct wages expenses, related contributions to the social security and to the unemployment fund and the expenses with the electricity.

For the auxiliary activity, the analytical accounting is organized/structured per type of shops (mechanical, carpentry, pumps, joinery), and, in their framework, per type of expenditures (expenses with the materials, expenses with the wages, contribution to the social security and protection, writing-off, expenses with different repairs, etc.).

The production overhead expenses (common) are surveyed per production sectors, expenses items (equipment maintenance and operation expenses, transport means writing-off, buildings writing-off, TESA personnel wages, etc.). The management expenses accounting is organized at the coal mining level, per type of expenses (books-magazines subscriptions, travels, coal grants, posting expenses, TESA personnel wages, computer centre expenses, etc.). We can say therefore that the mining production activity structure and the operational one influence the organization way of the expenses analytical accounting because, depending on them, the expenses and the realized production are sectorized.

✓ *coal mining dimension* – determines, firstly, the volume of the economic and financial operations, being a factor which influences the organization and execution way of the works the realized production costs calculation. Correlating its influence with other factors action, for example with: *technological process specific, unit organization structure*, as well as *the professional level of the personnel from the financial-accounting departments and the*

works computer supporting level, the management accounting in the framework of the economic entities from the coal mining industry is organized in a centralized way, at the financial and accounting offices level, organized as distinct sub-divisions inside the coal mining, which execute all the calculation works. An advantage of this type of organization is the fact that the speciality personnel required number is enough reduced, and a disadvantage is the fact that the efficiency of the labour with the expenses amount control and analyse activity is difficult and weak, because of the complicated circuit of the documents and their processing process up to the moment of the costs level establishment.

✓ *the adopted management methods and technics* in a mining area can also influence the management accounting and costs calculation organization, particularly as regards the option for the classical type of calculation method, the phase method, which requires two series of calculation (the provisional calculation and the historical costing) afterwards establishing the possible deviations from the costs or for a modern costs calculation method, for example the standard method, which can assure the insistence upon the forecasting character and the growth of the information efficiency, as well as the costs control. Switching from the phase calculation method to the standard costs calculation method is a process needing the management accounting and costs calculation organization depending on this method requirements, from which we cite: *the three calculation items specific to the method: direct materials, direct manpower and overheads*; utilization of some specific accounts, such as: „Deviations from the standard materials consumption”, „Deviations from the standard wage rates”, „Standard balancing account”, „Analytical results”, etc. Adopting of some special forms: „Report regarding the deviations from standard costs for materials”, „Report regarding the deviations from standard costs for manpower”, „The budget of the manufacturing expenses”, Report regarding the deviations of the overheads from the budget”, etc. All the described factors have important influences on the organization way of the budgeting and management accounting in the framework of the economic entities

from the coal mining industry. At the same time, for a certain period of time, some factors can be considered foreground against other ones, and also it is necessary to underline the fact that their influences can be conflicting sometimes. But, having in view the goal of the management accounting and calculation costs efficient organization, we consider that the actions of all the factors must be analysed and correlated so that the manager accountant to do, learnedly, a good selection in the way of the costs establishment. There are, of course, other factors too, objective and subjective ones, which determine the organization way of the management accounting and costs calculation organization within the economic entities in this field. Knowing and taking into account their particulars must have as goal to create the conditions for establishing as accurate and as efficient as possible the unit costs;

✓ the production process permanent character for the coal mining represents also another factor which influences the management accounting organization. Characteristic of the economic entities from the coal mining industry is the fact that, at the end of the management/activity period, the actual unit cost for the complete description list of the calculation items is calculated.

3. Conclusions

From all these above described, we can conclude that the management accounting and costs calculation organization within the economic entities from the coal mining industry is determined by a series of factors which are related to the technical & organizational and economic particular features of the mining areas.

For a better organization of the management accounting of the production expenses in order to calculate as accurate as possible the realised production cost, it is required to take into account the described factor influence, regardless their importance.

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From the Financial Crisis to the Sovereign Debt Crisis

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Abstract

In the last 200 years financial crises have succeeded themselves at more or less equal time intervals. The 25 years after the second world war have been one the least affected periods by crises because of intense state control in banking activities through regulations in this area.

A single exception was recorded in the period 1945-1971, which was marked by the Brazilian financial crisis. It is presumed this is because of intense state involvement in the control of banking activities through regulations. From 1971 approximately 120 financial crises have been recorded in the world. The manifestation means of the Eastern Asia (1997), Brazil (1999), Argentina (2001), Russia (1998) crises have determined their expansion aspect in the context of globalization.

Unfortunately, virtually all politicians and some specialists in this area have not drawn the right conclusions from these crisis, this can be seen in their occurrence frequency. This made possible both the devastating financial crisis, with its epicenter in the USA and the premises of a new crisis that revolves around sovereign debt, the responsibility being positioned this time in the euro zone.

Key words: banking crisis, sovereign debt crisis, deregulation, real-estate bubble

J.E.L. classification: G01, G02

1. Introduction

Economic crises are determined by financial, social or political causes. Therefore, a financial crisis represents a manifestation of an economic crisis, triggered by a lack of trust in the financial system at a

certain moment. Three versions of financial crises have been identified (banking, currency and external debt). There have been situations when two versions have coexisted, as in the case of Russia (currency crisis and banking crisis) or Argentina (currency crisis and external debt crisis).

2. Banking crisis

The robust economic growth without major perturbation which has characterized the USA after the second world war was based on the fact that the financial sector was sufficiently regulated. Imbalances regarding the fall of banks were seriously limited. Commercial banks which usually were local, could not involve themselves in speculative activities, the money of the population deposited at the banks were covered from significant risks. Investment banks, who held the money of the rich, were the ones who could perform speculative activities.

Supporters of electoral campaigns and users of experience lobbyists, bankers managed to impose their point of view over the deregulation of the financial system.

The process of deregulation started in 1982 and was heavily sustained by President Ronald Reagan. The success obtained by Paul Volker in substantially reducing inflation in the USA should have determined his reappointment as the president of the Federal Reserve in 1987. Ronald Reagan named Alan Greenspan, known as a fervent supporter financial deregulation for this position. The end of the deregulation process took place in the year 1999 through the Glass-Steagall law which allowed the access of small operators on the credit market, the so called "low-cost" brokers which facilitated credits to people without a stable workplace and a suitable income and that did not have

as collateral other assets. Through this law the difference between investment banks and corporate banks faded. The immediate result was the fusion of several financial entities with the result of extremely important financial institutions that were often characterized by the expression "too big to fall".

The fall of the American "real-estate bubble" was the phenomenon that led to the last global financial crisis.

In the period 1996-2006, the price for American homes grew by 100%. This phenomenon was possible due to a large number of mortgages, most of them only on the basis on "ID" to use a famous phrase in Romania. Using slogans such as "born eligible", banks started giving mortgages to people who did not fulfill even minimal requirements. Monthly mortgages were usually smaller in the first years of credit reimbursement, bank employees promised debtors that in the moment in which monthly mortgages will increase, according to the reimbursement program, they will have the possibility of more permissive mortgages due to the increase in value of the property. This mechanism proved to be completely flawed. When housing prices started to fall and interest rates slightly increased, many holders of the so called "subprime mortgages" couldn't cover their payments so the banks became the owners of the houses. On the background of the decrease in prices, banks realized that their values only partly covered the mortgages. The behavior of banks, which we can elegantly call "reckless", was driven by the desire of higher personal gains of the banking decision-makers. The size of the financial packages of these managers was directly proportionate with profits and respectively with the number of credits. In this way, quantity was emphasized over quantity and short term performance over long term.

On the other hand, on the background of deregulation, banks managed to create extremely profitable innovative products, but also extremely risky. These products were the derivatives. The financial instrument based on mortgage was sold by the financial institutions that gave the credit to other financial entities such as investment banks. We can say that these banks lend the debtor money for the mortgaged home. In this

moment the financial institution that initially loaned the money will minimize its risk. Investment banks moved one step forward by integrating mortgages under tradable titles. These tradable titles were thus sold to financial institutions and people from around the world. This was possible also due to the fact that they were rated as AAA by renowned rating agencies. We can say that the renowned rating agencies were accomplices as they were paid significant sums of money to evaluate the risks of these titles.

The trade of more derivative products meant the increase of the sum of money entering the pockets of bankers. Their greed was excessive. As long as home owners paid their mortgages on time, the money reached investors all over the world and everything was fine. The involution of the real estate market and the relative increase of interest rates made a larger number of home owners unable to pay their monthly mortgages. The consequences of this mechanism provided evidence of the recklessness of the tradable titles appreciated by rating agencies as having a minimal risk. In this way banks, investment funds, almost all investors in the world and investment banks that held this type of toxic products were affected. The complex character of derivatives made the mechanism of loss evaluation very difficult.

In 2006 the investment bank Goldman Sachs sold collateralized debt obligations (CDOs) in value of 3.1 million dollars while claiming their reliability. These statements were made while Goldman Sachs was aware of the low reliability that characterized these obligations. Goldman Sachs initiated this process at the request of the president of an investment fund that bet that the price of these titles would collapse, phenomenon that took place.

In this situation, the important banks, mostly American ones, found themselves on the brink of bankruptcy. Usually, in capitalism, companies that reach such a state are declared as being bankrupt, shareholders lose everything, and their place is taken over by creditors. Through the process of reorganization, companies continue with their activity. Moreover, companies also have the advantage of not having to pay interest to creditors.

This mechanism could not be applied to American banks which were considered as being too big to fail. It was appreciated that the fall of these institutions would stop the financing of the American economy. The Bush administration and partially the Obama administration worked towards saving them. Hundreds of millions of dollars were transferred towards the American banks while the losses fell on the shoulders of the population. Practically, gains were privatized while losses were socialized. (J.Stiglitz, *În cădere liberă*, 2010:332) The banks which were the most reckless were the ones who received the biggest sums of money. After receiving financing from the state treasury with an interest close to 0%, the big American banks didn't even initiated a significant crediting process in order to stimulate the American economy. Moreover, the managers of banks kept their jobs and took advantage of the state's money through multiple million dollars bonuses as a reward for their "performance". The political influence of American bankers makes banks too big to fail on one hand and on the other, enabled them not respect the capitalist rules of bankruptcy and damages brought to society.

Moreover the treatment to which players in the American economy were treated was extremely discriminating. Some American banks were saved, others – such as Lehman Brothers – were not. The criteria of choosing which banks to save were not well drawn. If banks generally took advantage of financial help from the American administration without taking any responsibility for the losses caused, the same did not happen to the automobile giants as they were forced to declare bankruptcy and their shareholders lost everything, while the new owners became the creditors, among which also state institutions. The managers of the two auto companies were "guilty" of occupying these jobs under extremely bad circumstances and they were fired while normal employees found their salaries substantially diminished.

In comparison, as mentioned above, the managers of banks kept their jobs and even gained substantial bonuses even though they were at the origin of the global financial cataclysm.

We have to state that the USA was the main supporter of the deregulation of the financial system on a global scale. After the state intervention in many countries became limited, the American banks exported toxic derivative products towards institutions from different geographical areas. After deregulation, Great Britain saw many of its banks in a difficult position. Unlike the American administration, the British government proceeded in a more rational way as they financed banks and also made them take crediting activities more seriously. The managers of these banks did not receive bonuses but were laid off. Spain was seriously marked by the fall of the real-estate bubble which had substantial dimensions. The 20 years of strict regulation in the financial sector, made Spain go through the hardships of the crises in an acceptable way.

The intervention of the American administration was not only immoral but also didn't reach its goal of reigniting the engines of the American economy through credits.

With all the efforts made by governments – approximately 1000 billion dollars- to save banks in order to assure a more or less normality in the financial sector, the credit activities are not satisfying. We can see a slower economic growth at least in the near future. Thus, according to UN estimations, for the year of 2012 we will see a global growth of 3.5%, number revised in a reduction to 1.5% in the summer of this year, optimist forecast.

3. A new crisis in the horizon

The financial effort especially in the year 2008 managed to push mankind from the verge of collapse, but hasn't resolved the problem. Moreover, the budget deficits have accentuated causing the increase in state debts.

We can identify some arguments that allow us to state that society is on the brink of a new financial crisis.

First, the decrease of the US rating generated panic on stock markets, where major losses were recorded, followed by minor recoveries. Like the fall of Lehman Brothers triggered the global financial crisis, some analysts appreciate the debut of a new financial crisis the depreciation of the US rating.

Second, we can discuss about an accentuation of the problems in the euro zone. The big European banks presently hold an important number of obligations emitted by Italy, Spain, Portugal, Greece and Ireland. The states just mentioned have significant state debts fact which makes the risk associated with these obligations increase and generating the fragility of the European banks. The lack of faith in the EU financial market, on one hand made the Central European Bank buy obligations emitted by the mentioned states at prices above the market in order to avoid their payment incapacity while on the other hand it generated an unusual behavior of EU member state banks which deposit their money at the European Central Bank against a small interest instead of assuring a normal circulation of financial resources.

Third, it is appreciated that more than a quarter of credits given by Chinese banks are low performing, fact that may determine a financial crisis in this country. Taking into consideration the economic situation of China and its major involvement in commercial trade and foreign direct investment flows, the imbalances of this country will be felt on a global scale.

Fourth, countries in 2008, especially developing ones, did not manage to find the efficient means to stimulate their economies. Tax increase and expense reduction policies adopted by many countries determined a reduction of incomes. Taking also into account the increase of unemployment in the US and Europe has reached 10%. Evidently the ones affected were mainly the ones who lacked resources. This population segment seeing its incomes significantly reduced spent less money and therefore diminished consumption in their countries.

Nouriel Roubini, winner of the Nobel Prize for Economics, considers a new global financial crisis as being very probable, on the background of the accentuation of the problems generated by the state debts. It is believed that the climax of this crisis will take in 2013, the alternative of state bankruptcy is, according to Roubini, the introduction of powerful inflationist phenomena. The solution is disputable taking into account the economic imbalances that it would bring and also the impoverishment of masses. We also have to take into account

that both in the USA and in the EU member countries elections are closing in and the vote of the masses is highly important.

The meeting of EU leaders at the end of October has had as consequence extremely important decisions for the future of EU and especially the euro zone. The following measures are emphasized: the supplementation to a thousand billion euros of the EU fund in order to sustain EU member countries with an urgent need of financing, the establishment of a fiscal program, the decrease with 100 million euros of Greece's debt and the recapitalization of banks in order for them to go through the euro zone state debt crisis.

4. Conclusion

The primordial element both in 2008 and in 2011 is lack of faith. Currently, private investors with small exceptions are adopting an expectative attitude. Governments must urgently find the resorts to determine private economic agents to invest taking into account the multiplication effect that investments have in the economy. Also, state investments should not be neglected. States should also act in the view of tax reduction of the poor citizens; with more money at their disposal they could stimulate consumption.

From the experience of the last three years, we can state that deregulation has allowed the financial system to make risky bets with major economic effects over the world economy and over the world population. This fact, doubled by the way in which banks were helped and their later uninvolved attitude in assuring an acceptable credit flow allows us to state that the reform of the world financial system is an urgent necessity.

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Algerian Economic Structure: Opportunities or Threats in a Crisis Situation

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Abstract

According to the theory of Joseph Schumpeter, a business cycle is characterized by an expansion phase followed by a depression phase in the production process. This cyclical crises has attracted interest from various researchers in the example of Clement Juglar, in an attempt to explain the phenomenon in order to prevent future crises. The main causes of these crises are either endogenous or exogenous.

But every crisis did not have the same effects and similar impacts on the country. It is true that the nature of the crisis determines the impact. But it also seems that the economic structure of a country is a factor that could determine the extent of the impact of the crisis on the country. Indeed, the volume of international trade in a nation and the diversity of products traded are crucial in the impact of crises on its economy.

As such, Algeria known for its particular structure of its trade, characterized by export-oriented oil almost suffered the same way as many other countries in development, more or less serious effects on its economy. However, Algerian officials announced, following the example of the last global financial crisis, the country remains safe even if oil prices fell and thanks to large foreign exchange reserves combined. Indeed, the Algerian state argues the fact that its economy is weakly inserted in financial globalization.

The economic structure of Algeria, is characterized, among other things, by a quasi "mono-export", may "be regarded as an opportunity for the country to avoid the impact of an international crisis, or is it a threat that can lead the country into an economic and social crisis?

It is to this main question that this work will attempt to provide some thoughts based on the analysis of the impact of crises on the

economy of this country while referring to its economic structure.

Key words: Economic structure, crisis, oil, globalization, development.

J.E.L. classification: O16 – P45

1. Introduction

No nation in this world, regardless of its wealth, can live in complete autarky. The volume of international trade, growing year by year, is there to confirm it. It is however clear that the volume of trade of a nation is unevenly distributed among the various trading partners.

Besides, the technologies of information and the communication, like Internet, allowed an unprecedented development of these exchanges in the sense that the notion of space and of time has been completely transformed. The speed with which the contacts can be established with any point of the globe, developed in a considerable way the relations between the diverse nations, by widening markets and so by accelerating the rhythm of the exchanges. The World, became a large village.

But if the circulation of goods accelerated, in view of the development of the ICT, but also of the population growth in the world, it had no only advantages. Indeed, the tangle of complex relationships established, can also be a factor of transmission of crises which could arise in a nation.

The impact of a crisis is even more important if it is generated by a developed country where the number of important economic, commercial and financial relations with other countries, is high. The saying of Nomaan Jamal, "As America catches cold, the whole world sneezes," or the title of an article written by "Le Messager" in Douala

"Crisis: Dubai coughs, Cameroon sneezes" are very significant.

It seems logical to think that the consequences of a crisis are all the more important as the number of relations with the diverse partners is important. However all the crises have no same effects and the same impacts on countries. It is true that the nature of the crisis determines the impacts.

But it seems besides that the economic structure of a country is also a factor which could determine the importance of the repercussion of this crisis on the country. Accordingly, two key factors can be at the origin of impacts on the economy of a nation following a crisis in another nation, namely the nature of the existing relationships between the two countries and the economic structure of this country.

As an example, the last international financial crisis called also crisis of "subprimes", born in the United States, blew the cold on the quasi-totality of countries to the world and had impacts of different intensity according to States. As such, Algeria known for its particular structure of its exchanges, characterized by exports oriented to hydrocarbons underwent in the same way that several other developing countries, more or less important effects on its economy. However, it would seem, according to certain Algerian officials but also certain analysts, as the country was widely spared, thanks to its economic structure.

This work will try to analyze the case Algeria during this crisis to understand the real impacts on this country by considering its economic structure. For that purpose, the first part will deal with the current economic structure in Algeria further to the diverse stages of its development. The second part will analyze the consequences of this crisis and their importance.

2. The economic structure in Algeria

To understand indeed the current economic structure of Algeria, an analysis of its development model, since its independence in 1962, is required. Indeed, just after its independence, Algeria was a not structured country where there remained an unstructured conservative society based mainly on a rural way of life, living mainly

products of the land. It was a subsistence farming using traditional methods. It is only from 1965, that the model is transformed, opting for a socialist approach, based politically on the fight(wrestling) against the imperialism and the bourgeoisie, and start revolutions in agricultural, industrial and cultural.

The industrial revolution, preached the installation of a "heavy" industry, based on the existing raw materials in the country, and which would have, upstream, to transform these raw materials, and downstream, to allow the development of a "light" industry. It was to be also, the engine of the agricultural development with in particular the production of mechanized machines intended for agriculture. Some notable results were recorded, with the example of the factory of El Hadjar in the suburbs of Annaba east of country, exploiting the iron ore of Ouenza, and other development poles on the Algerian coast and relating to hydrocarbons, such as the poles of Arzew-Bethioua in western country and that of Skikda in the east.

On the whole, at the end of the decade of the Seventies and according to G. Mutin, there would be more than 75 industrial zones and more than 200 municipalities that have at least one industrial establishment. It should be noted however that the financing of this effort of industrialization of the country was done mainly with the oil revenue without notable recourse to the foreign investments.

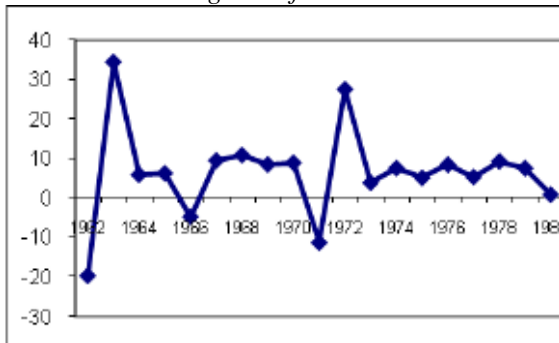
The agrarian revolution was as for it a total failure. Initially it should be noted that the agricultural lands is only about 3.3% of the national territory [Terranti, 2003], and that the agrarian revolution had put the land available to those who work and not those who possess it. A great operation of expropriation was committed and the new owners enjoyed the use of land through agricultural cooperatives. The development of the industrial sector and more precisely that relating to the mechanization of the agricultural sector was to help the new owners to ensure of better outputs. Large investments have been made, still funded by the revenue of oil.

All this policy, based on significant investments gave at the beginning of the Seventies some encouraging results. The growth rate of the GDP during this decade

was always overall positive varying from 4% to 9%.

However the end of eighties was the beginning of disillusion. The industrial sector did not give the expected results in view of the invested amounts. The social policy initiated by the State, was not in adequacy with the objectives of economic efficiency. Most public industrial companies suffered from serious financial imbalances, due to the mismanagement and that the State covered by subsidies.

Graph 1: Evolution of the growth rate of the GDP in Algeria of 1962 to 1980



Source : World Perspective Monde

As for the agricultural sector, the cooperative system was a failure. The "fellahs" (farmers) were not accustomed to collective work. Moreover several co-operators ended up sharing the lands which were allotted to them, in small batches, which each one exploited according to its suitability. It's a return thus to the small-scale subsistence. The production, instead of growing, merely stagnates and even regresses. The population growth is increasing. The resultant of this situation is that Algeria was obliged from the 1980s, to resort to massive imports of food products. [B.CHEBIRA, 2010]

"In 1970 purchases of food products accounted for 6% of total imports but 41% in 1980. Cereal imports pass over the same period from 0.6 to 2.5 million tonnes. "G. MUTIN

Moreover, the crisis of 1986 marked the collapse of oil prices plunge the country into a very delicate situation, which made him become aware of its brittleness, in the absence of the oil revenue. The reforms undertaken by the government Hamrouche aimed to the opening of the country towards

a market economy. Unfortunately, this policy requires, at least initially, significant investments that oil revenues could no longer cover. The subsidies to unprofitable firms were not granted and it was the beginning of a new social crisis that had dramatic consequences for the country and whose consequences are still visible today.

The country have recourse to the debt that eventually reached alarming levels. The crisis also forced the country to accept a plan to reschedule its debts, which was negotiated in 1994 and 1995. The amount of the debt exceeded during the years 1995 and 1996, the 30 billion dollars

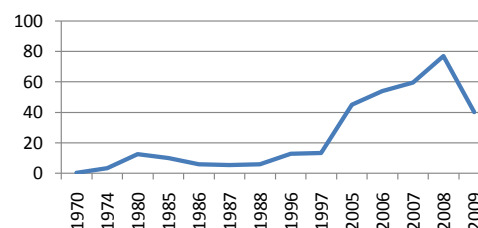
The analysts of the situation at the time, explained this economic stability which was transformed gradually into political stability attenuating the social crisis, by the political change occurred in the country. However, this situation was only circumstantial and a good part of the explanation returned to the improvement experienced by the oil prices by 13 dollars per barrel of Brent in 1998 blithely exceeded the threshold of 140 Dollars in 2008 (see graph 2). The price has increased more than tenfold, tenfold by the same revenues in the country (see graph 3).

Graph 2: The evolution of oil prices, 1970-2009, in current dollars.



Source: extrait wtrg Economics, www.wtrg.com

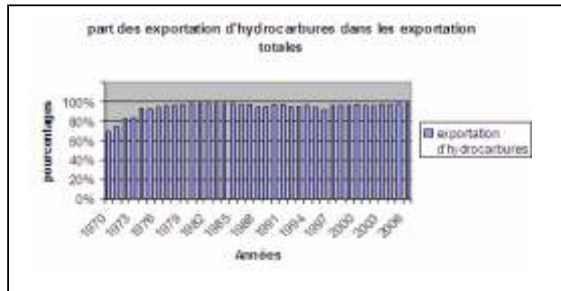
Graph 3: Evolution of the receipts hydrocarbons in Algeria (of Billion dollars)



Source: G. Mutin (1997) and various

Oil revenues has changed significantly, although there is a marked decrease in 1986 and subsequent years, and a second decrease in 2008 and 2009. These two crises have led to the sharp fall and consequent oil prices which reduces the income of the country. The economy is essentially based on the rentier oil which represent some 98% of total exports.

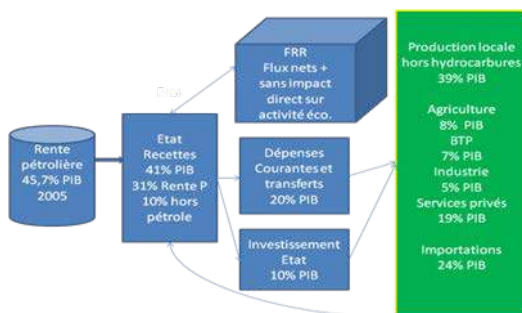
Graph 4: Evolution of the share of exports of oil, 1970-2008, in percent.



Source: Based on data from the Algerian Office of Statistics (ONS)

The oil revenue accounted for 45.7% of the GDP in 2005 and on the public revenue which amounts to 41% of the GDP, 31% come from the oil revenue. The production except hydrocarbons of the country including agriculture, construction, industry and the private services, accounts for only 39% of the GDP (cf diagram 1). Thus all the efforts authorized by the State for the development of the industrial and agricultural sectors do not seem to have reached the posted ambitions and represented in 2005, only respectively 5% and 8% of the GDP.

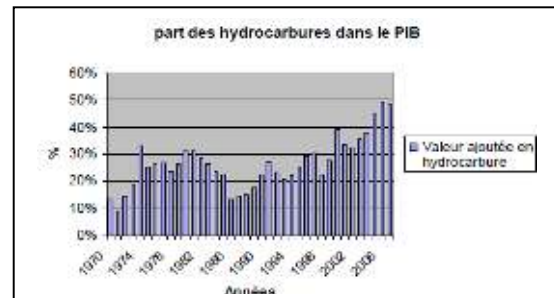
Diagram 1: Structure of the Algerian economy



Source: Christophe Cordonnier

Graph 5 below relating to the evolution on behalf of hydrocarbons in the GDP is very illustrative of the situation. Indeed, the share of hydrocarbons in the GDP did not cease growing particularly of 1986 to date. This graph explains the strong economic dependence of the country to hydrocarbons. The economy of Algeria became a sack-economy.

Graph 5: Evolution of share of added value of hydrocarbons 1970-2008, as % of GDP



Source: Based on data from the Algerian Office of Statistics (ONS)

The country has become aware of its economic structure and its dire consequences in case of lower hydrocarbon prices in the world. Reflections have been conducted on what called the post-oil to the example of the Symposium dedicated to the knowledge-based economy and where Pr Abdelmadjid BOUZIDI did not hesitate to assert that "the post-oil, is the new economy." So to overcome this situation of incomes only based on hydrocarbons, Algeria and other countries in the same situation, have the opportunity to seek competitiveness through the acquisition of knowledge. [B. CHEBIRA, 2009] But this is yet another problem.

Moreover, it is important to know the major trading partners of Algeria. A crisis which affects a country with which exist important trade relations would have more significant impacts. The most important trade partners are the OECD countries, the United States and some other countries in Asia, North Africa and the Arab world. In its edition of April 29th, 2010, the daily newspaper Maghreb claimed that the OECD Countries accounted for 69.24% of imports from Algeria and 85.21% of exports including 52.86% of imports and 51.30% of exports return to the countries of the European Union.

The following graph shows the evolution of foreign trade in Algeria from 1999 to 2006, highlighting the share of hydrocarbons. This increase is explained more by higher oil prices than by changes in trade volumes.

Graph 6: Evolution of foreign trade and trade balance in Algeria (1999-2006)



Source: Losdastos, Wikimedia Commons

3. The consequences of the crisis on Algeria

This particular economic structure characteristic of rentier states combined with certain political decisions aimed at preserving national sovereignty, explains the impact of the recent crisis on the country. The various analyses carried out have come to the following conclusion. Algeria is disconnected from the global financial crisis in view of the component of its economic structure. However, it was very sensitive to the economic slowdown caused by the same crisis.

Why Algeria did not suffer the direct consequences of the crisis?

In fact, Algeria had suffered greatly from the crisis of 1986 which saw the collapse of oil prices to record levels falling below \$ 10 a barrel. The country had in this moment less than \$ 3 billion monetary reserve and had an external debt of over \$ 20 billion. This situation had led the country to review its entire policy and was forced to accept a painful structural adjustment following the rescheduling of its external debt.

After the favorable evolution of the courses of oil during the following years, Algeria learned the lesson and did not want to know this kind of problems any more in the future. Also a series of measures were

taken which seem in a certain direction to have given some results.

Thus the remarks made in 2008 by Mr. Ouyahia, Prime Minister, on the impacts of the last financial crisis on the country agree on some points with various analyses carried out by national and foreign experts. They agree to say that the crisis did not have direct effects on the economy of the country and this for the following reasons:

- The non-convertibility of the national currency: the Dinar.

Algeria has always denied the convertibility of its currency, even after its passage to the market economy, and despite several calls from international financial institutions such as the IMF. Convertibility would have led analysts said a strong outflow of currency to the example of other nations who have followed this path. The economy is not considered strong enough to cope with a full convertibility of its currency.

"The process of convertibility of the dinar should be based, a priori, on a diversified economy, a prerequisite for any convertibility of a currency. This situation would be impossible for the case of Algeria, whose economy remains dependent exclusively hydrocarbons."

Synthesis of Mourad, algerie-dz.com. According to the Expression

The convertibility actually occurs, however informally, and the "parallel exchange" was gradually set up as an "authorized activity"

And in international financial markets, speculations were not performed on the Algerian Dinar. The country remained indifferent to the financial game and avoided any disruption caused to that level by the crisis.

- The sovereign fund is released.

Following the financial upturn recorded in Algeria and the accumulated foreign exchange reserves that have reached a considerable amount of over \$ 140 billion in 2008, some experts recommended to the country invests in sovereign funds or state funds . The advantage of these financial investments is to generate investment income, but have some risks associated with investment choices to make. In the event of major financial crisis, as the subprime crisis, many SWFs have suffered significant losses in the world.

The refusal of the Central Bank of Algeria to choose those investments, likely saved the country significant financial losses.

- Algeria refunded its debt

Following the fall of oil prices during the crisis of 1986, Algeria has been obliged to opt for a strong debt, followed in 1994 of a rescheduling. Foreign debt had reached in 2000, \$ 40 billion, while service revenue was 30% of our exports [Z. MEBARKI, 2009]. Also according to the same source, the debt has been reduced to \$ 19 billion in 2004. The debt services between 1985 and 2005 were estimated at \$ 34 billion. This was considered as a form of infringement of national sovereignty to the extent that some international institutions concerned with their funds dictated their political and economic decisions in the country.

Prepayment agreements, signed with the Paris Club and the Rome Club allowed to return to a debt level of around \$ 4 billion, which significantly reduces the burden of servicing the debt on the balance of external payments.

"The crisis did not lead to the collapse of the global financial system, caused a recession and has had a contagion effect in the different countries of the world, recognizing however, that the Arab Maghreb region has been spared by the crisis through proper debt management in particular, remains vulnerable because of the restriction of financial activity in the world" (Strauss Khan. D, 2008)

- Lack of local financial market

The Algerian financial system as a whole is an internal system, disconnected from the global financial system.

First, the banking sector today is characterized by a strong dominance of public banks. The privatization of banks was the order of the day in 2007, but the country has decided to postpone the privatization. Indeed, on the recommendation of the IMF, Algeria was committed to modernize its financial system which was seen as ineffective. It is true that the country has allowed private banks to settle in the country following the example of Société Générale, BNP, Citibank, Golf Bank... Fifteen private banks were created. However the public banks occupy a big part of the activity of the banking environment. The international transactions and in particular the transfers of

funds in currencies are controlled and governed by strict regulations. Thus the disturbances of the external financial system will not have many incidences on the country. The insurance market in turn is organized, regulated and controlled by the Ministry of Finance. As the capital market, it remains embryonic, with a lack of financial capital inflows.

- Other factors

Moreover, the cleansing of the national money market sanctioning the nonviable financial institutions, the prohibition made at the companies and public banks, since 2004, to resort to the foreign loan and the prudence with which the Bank of Algeria places monetary reserves preferring safety at the strong profitability, were as many protective factors vis-a-vis the upheavals of the international money markets.

Why Algeria underwent the indirect consequences of the crisis?

At the beginning of 2009, the optimism posted by the Algerian State on the impact of the world-wide crisis started to be re-examined downwards. The reduction in the oil revenues started to be felt.

Indeed, this crisis had the following consequences:

1 - A consequent fall of the price of hydrocarbons

On July 11th, 2008 the price of the barrel of oil had reached a historical record with more than 147 dollars, to find itself at the end of 2008 less and at the beginning of 2009 with less than 40 dollars the barrel. The crisis had a brutal and severe impact on the price of hydrocarbons.

2- A reduction in the hydrocarbon world demand (caution).

The United States and Asian countries hit hard by the crisis because of the complex web of existing trade have begun to take a series of measures to address them. It was clear that caution and a more drastic policy were recommended. Thus, these countries, according to the energy reserves available to them, showed less interest in buying oil, which resulted in a decrease in global demand. The offer was higher than demand and prices suffered further declines.

Meeting of oil producing countries to the example of OPEC tried to adapt supply to demand in order to avoid the price to reach unsustainable levels for the economy of some countries following the example of Algeria.

The oil price took again its rise well and of less than 40 dollars at the beginning of 2009, it finds today with more than 80 dollars the barrel.

3 - The fall of half the growth rate in 2009.

These rates are expected to reach 2.7% on average for the Maghreb, or 2.1% in Algeria. GDP growth would be limited to 2.6% in the region against a projection of more than 6% for 2009.

Consequently, it is clear that the fluctuations in energy prices in particular to the decline, have a direct impact on the rentier states. The mattress of foreign exchange reserves accumulated can only temporarily buffer the fluctuations in the expectation of better days.

"Based on all this, our country has 138 billion dollars in foreign reserves at the end of last November, will be able to meet all its external commitments for five years, without recourse to foreign borrowing, even with a barrel to 30 dollars for five years. In such a virtual situation, Algeria still retain in 2014, foreign reserves of almost \$ 50 billion dollars. "Source Ouyahia".

4. Conclusion

During the crisis of 1986, Algeria became aware of the danger of a rentier economy dependent on oil price fluctuations. It was about, at this moment, to reflect on the diversification of the economy by initiating an appropriate strategy.

The rise of the oil courses the following years, slowed down the reflection, prioritizing that which consists in developing new mechanisms to be better armed in the event of a new crisis without to make a notable modification to the existing economic structure.

This new crisis has generated in turn a lot of questions about the current strategy and the head of the IMF mission Joel Bernaté Toujas did not hesitate to affirm "a durable crisis would underline the requirement of diversification of the economy, which supposes the continuation of the structural

reforms remained quite timid. This is the major challenge of Algeria".

The former Algerian Prime Minister Ahmed Benbitour has on his side qualified of curse the resources of the country. The hydrocarbons which were to be a factor of development pose in fact much more problems than they solve.

The History teaches us that the crises succeed the periods record. Teaching to be drawn for Algeria, as for the whole of the countries shareholders, it is to use this wealth to set up infrastructures able to diversify the incomes of the country. With such a strategy, if oil prices cough, Algeria will not have to sneeze.

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The National Strategy and the National Action Plan on Climatic Change

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Abstract

The environment is a component of human life, being indispensable to their life, as they perform their activities in the environment. It is the vital element of human life.

This article tries to analyze the evolution of the environment, the global heating and the most important changes known by the environment.

The reason we chose this subject is to present the evolution and the level of global warming and the impact it has on human life.

Key words: Sustainable Development, Global warming, Environmental Permit, Climate change

J.E.L. classification: K 32

1. Introduction

Climate change has a huge impact, negative impact on people, animals, flora, fauna, atmosphere. To the climate change that occurred over time, but increased in the last decade of the twenty-first century people have contributed greatly.

Through their desire for progress, development, modernization of their life through the fact that they have facilitated the process of satisfying daily needs with factories, new manufacturing technologies.

2. The Matter Seat

Global warming is the phenomenon of the growth of recorded average temperatures of the atmosphere near the soil, oceans, measured in the last two centuries, especially in recent decades.

Warming is due to human activity, especially by developing carbon dioxide into the atmosphere by burning fossil fuels. Global warming has profound effects in

different areas.

It causes sea level rise, extreme weather, melting glaciers, extinction of many species of plants and animals and changes in terms of human health, the immune system becomes weaker, people are more prone to disease, thereby increasing the number of deaths in the world, at global level.

To achieve my purpose I used a bibliographic material as rich as possible so that results contain more information as to render the reader living reality, nowadays, hoping that one will feel and take action by protecting the environment, thus protecting life at the same time.

A number of Romanian researchers have conceived works that include environmental information, how much authorities worldwide were involved and the measures proposed by them.

We begin with the work done by Mircea Dutu (training and development needs international environmental law), published in 2010, then the study by N. Josan (global environmental systems), published in Oradea in 2002 and Stefan Tarca, (Environmental Law), Ernest Lupan, (Environmental Law). We chose to analyze this issue because it affects people's lives in a negative way and to also draw a warning on the destruction of our planet whom we should love, considering that it is our house, by destroying the planet we destroy "our house", our environment.

Until recently the Earth's renewable natural resources were sufficient for the needs of humanity. Currently, due to population explosion and unprecedented development of all sectors of industry, raw material and energy requirements for production of goods grew long and intense exploitation of earth resources reveal more obvious ecological imbalance.

As a result of industrialization and increased production of goods increased more environmentally friendly materials.

The notion of environment includes in fact all human activities in relation to man and nature, on planet Earth.

With increasing world population, which went along with the improvement of social organization and in particular with the development of industry and mechanized transport in the last two centuries, human attempt to dominate the fight harsh nature, to snatch the hidden wealth of the planet begins to be increasingly successful.

Any human activity and therefore the individual existence is unthinkable outside the environment. Therefore, its overall quality makes a mark on the level of existence and development of individuals.

The word environment(Umwelt, milieu) has been used since the nineteenth century in the biological sense and thereafter in geography (K. Rifler, P.V. de la Blanche, S. Mehedinti) is defined as living space of and influenced by man.

The word "environment" expresses a comprehensive and fundamental concept by which we understand the world living and inanimate, in principle almost all around man.

Without environmental protection one can not ensure sustainable development. Sustainable development includes environmental protection and sustainable environmental condition.

Natural environment ie air, oceans, seas, lakes, rivers, soil and subsoil and forms of life that these ecosystems create and support is the most common image that the average person makes when he talks about the environment.

Environmental damage is caused by: the existence of too many cars, jets and heavy ships, too many factories operated by old technology, polluting, consuming raw materials, water and energy, phenomena which are determined ultimately by the growing needs of a population in a state of demographic explosion and especially the existence of large urban agglomerations.

The environment is an essential element of human existence and is the result of interference of natural elements - earth, air, water, climate, biosphere - the elements created by human activity.

The environment must be adapted and organized to meet the needs of individuals, which means choosing the right kind of

resources and processing them to serve people (to satisfy their needs).

Sustainability is based on the idea that human activities are dependent on the environment and resources. Health, social and economic stability of society is essential in defining quality of life.

Sustainable development means assuming (economic principle), respect the ecological balance (ecological principle) and consideration of inter-and intra-generational equity (the principle of solidarity).

Man is the focus regarding sustainable development, having the right to a healthy and productive life in harmony with

Sustainable development requires,, according to Gheorghe Zaman, compatibility and a dynamic balance between resources and consumption, between organic, technological and economic systems, between utilization rate and the rate of regeneration of natural resources between the amount of pollutants and the endurance capacity (assimilation) of the environment

Agenda 21 is an extremely comprehensive program of sustainable development in XXI century, treating almost all relevant aspects in terms of development: poverty alleviation, gender equality, the interests of indigenous peoples, social groups participating in the political process, climate protection, protecting species , protecting drinking water supplies, etc.

One of the major documents adopted at the meeting in Rio de Janeiro is the action plan entitled "Agenda 21". The Action Plan brings as innovation the establishment of global responsibilities for the UN and its system bodies to addressing and solving environmental problems.

Sustainable development answers to the needs of present humanity without compromising the ability of future generations to satisfy themselves, their own needs.

In other words, it's about seeing that resources of this planet are limited and that excessive and irresponsible consumption is detrimental to those who come after us.

Environmental policy has got the following objectives: environmental protection, improving its quality, protection of public health and the prudent use of natural resources, promoting measures at international level on environmental

problems of regional and global dimensions.

At present EU policy regarding environmental protection is based on the idea that high environmental standards stimulate innovation and create new business opportunities. Economic, social and environmental protection are closely related to each other.

All environmental policy is based on the principle of "polluter pays". Thus, the pollutant source can "pay" or through investments in raising the standards of protection, either by paying a fee that covers use of polluting products, either by industry or by ordinary consumers. Payment made may also include the obligation to recover, recycle or dispose of the goods used.

Romania has signed, at the 1992 Rio Summit, the United Nations Framework Convention on Climate Change (UNFCCC), ratified by Law no. 24/1994. The main objective of this Convention is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

Climate change affects us all both globally and nationally.

Global warming began to worry after 1960, following massive industrial development and increasing greenhouse gas concentrations that are considered largely responsible for this phenomenon.

In addition to industrial development, another important issue is the massive deforestation of forests. This results in an increased concentration of pollutants, which causes the effect of global warming and ozone depletion. To stop the negative effects caused by this deforestation, experts say that afforestation would need a total of 20% compared to the forest existing world-wide.

One of the effects of global warming is the rising of sea levels, an effect that has two causes: the growth of water by expansion following heating and the addition of melt water ice of polar caps and glaciers on land.

Global warming is the phenomenon of the growth of recorded average temperatures of the atmosphere near the ground and ocean water, found in the last two centuries, especially in recent decades.

Global warming is caused by human activity, especially by releasing carbon dioxide into the atmosphere by burning fossil

fuels.

The main cause of global warming is the increase of CO₂ in the atmosphere over the past centuries.

The average air temperature near Earth's surface has risen in the last century by about 0.7 degrees Celsius. The main elements that produce the greenhouse effect are water vapor, carbon dioxide, methane and ozone.

The effects on the atmosphere are the increasing of evaporation, rainfall and number of storms.

3. Conclusions

Global warming causes soil temperature to rise, leading to dryness, favoring forest fires.

EU report on the consequences of global warming on the security environment notes that melting Arctic ice could provide exploitable natural resources such as fisheries or natural gas and oil deposits that are currently locked under ice continental shelf.

Sea level rise leads to aggravation of flooding problems, especially in very low areas, such as those in the Netherlands, Bangladesh and Venice. Communities living in flooded areas are often very poor, because it is the only fertile ground they have access to.

Reducing Global warming is practically to limit CO₂ concentrations to 400-500 ppm by volume. The proposed path is to reduce emissions of greenhouse gases by reducing energy consumption and use renewable energy.

In order to reduce CO₂ emissions the use of energies that are not based on combustion technology such as solar, hydro and wind energy is recommended.

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The Development of Cultures in Accordance with the Ecological Demands of the European Union

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Abstract

Ecological agriculture has grown within several countries and the European Union sets quality standards that satisfy both the buyer's needs and the need to protect environment.

Beginning 1980, biologists and ecologists dealing with the protection of wild nature signed the alarm, stating that without a change of mentality and the way of dealing with natural resources, they will disappear and the entire civilisation along with them.

Following the scientists, agricultors have shown grown interest towards agricultural techniques better integrated in the cycles of nature.

Key words: Environment, Ecological culture
Ecological agriculture, Protection

J.E.L. classification: K32

1. Introduction

The year 2007, when Romania joins the European Union marks a new era in agriculture and rural economy of our country. Joining the EU is probably the most powerful factor of pressure to fastly reform the agriculture and rural economy in Romania, given the need for successful integration in the European rural economy.

The latest EU policy on organic agriculture is the European Action Plan for Organic Agriculture and Food adopted in June 2004 the European Commission. Romania's integration, including agriculture, in the Community of Europe structures, imposed acutely to adapt food production to existing quality standards, meeting the requirements of the buyer of organic products. In terms of agricultural policy objectives, Romania has a very favorable

position. The fact that the Romanian agriculture fertilizer and pesticide consumption is 10-11 times lower than the European average, makes possible an emphasis on quality agriculture and quality means, first of all organic products. Without a real agricultural reform to regulate the land market and the agricultural credit and to encourage private holdings, however small they may be, our country will not be able to seize the current favorable moment when the world is looking more and more for organic products..

2. The Matter Seat

Romania has favorable conditions for promoting organic farming ie fertile and productive soils, chemical treatment and tech have not yet reached the levels of industrialized countries, traditional Romanian agriculture is based on the use of clean technologies, it is possible to define perimeters green clean where to apply organic farming practices, the demand for organic products is growing, organic farming can become a source of employment to the rural population. Since Romania has favorable agro-ecological potential of organic farming practice and that at least 15% of agricultural land can be converted easily to this type of farming as chemical treatment and even technologically developed countries have not reached, there is still a possibility to delineate areas where ecological farming practices apply.

The European model of agriculture is based on a competitive sector, market-oriented, meeting, also, and other public functions, such as environmental protection, offering residential villages more convenient for people in rural areas, and integration with the environment and agriculture forestry. Common Agricultural Policy is moving its

focus from direct subsidies to integrated development of rural agriculture economy and to protect the environment.

Organic farming (also called organic or biological) appeared in Europe as an expression of the distrust of people towards food safety measures caused by the occurrence of disease through consumption of products bearing pollutants (dioxins, trichinae, Salmonella, E. coli, influenza, prions, etc.). As more episodes of illness have been generated by technology for intensive industrial production by over-fertilizing based on agricultural land, the use of stimulants (antibiotics, hormones, etc.) in food, shaped a new requirement, strong enough, which turned into a real European movement to obtain food products with clean technologies, clean, without undesirable substances.

The basis of organic production is the idea that the main cause of degradation of the biological quality of products is poor man's intervention at different structural levels of the biosphere, and the worst effects on humans resulting from the cumulation of errors on soil, plants and animals. Organic farming has a particular focus on natural quality products, quantitative aspects and productivity is on a peripheral level.

Organic farming promotes the sustainable production systems, diversified and balanced to prevent pollution and environmental yield. Organic crop production without the use of harmful traditional products, is experiencing a particular concern for several decades in economically developed countries. Interest in products and organic production is increasing in our country. Unfortunately, the areas under the ecological conditions in our country are still very low.

Organic farming is the kind of agriculture that relies on minimizing the use of foreign materials, by prohibiting the use of synthetic chemicals as fertilizers and soil conditioners, pesticides, ingredients for feed preparation, ingredients and processing aids for food preparation.

GMOs and their derivatives are prohibited in organic agriculture.

Organic farming is based on compliance with strict production rules and principles, regulated by legislation. All stages of production, including storage, processing, packaging and labeling are controlled by an

inspection and certification body, established for this purpose.

Organic farming involves production management systems that promote health and improve agro-ecosystems, including biodiversity, biological cycles and soil biological activity. The emphasis is to the application of management practices, preferred non-farm inputs, taking into account that regional conditions require locally adapted systems. Where possible, apply cultural methods, biological and mechanical free synthetic materials, to fulfill any specific function within the system.

An organic production system is designed so that:

- To improve the biological diversity of the whole system;
- Increase soil biological activity;
- To maintain long-term soil fertility;
- To recycle plant and animal waste, soil nutrients to play, so minimizing the non-renewable resources;
- Be based on renewable resources that can be organized in local farming systems;
- To promote healthy use of soil, water and air and minimize all forms of pollution from agricultural activities;
- To handle agricultural products with an emphasis on careful processing methods to maintain organic integrity and vital qualities of the products at all stages;
- To be stable in any firm in a period of transformation, the corresponding duration of which is determined by specific local factors as history of land, crops and livestock type product.

In conclusion, the development of ecological agriculture in line with European Community Council regulations, may be one of Romania's "passports" for the integration into EU structures.

Romania has the appropriate conditions to promote organic farming, such as:

- soil fertile and productive;
- Romanian agriculture is based on traditional approaches that are environmentally friendly and environmentally friendly ways to identify areas where organic unpolluted agriculture could be developed; The aim is to position organic agriculture in the national center as a pivot for long-term development in rural areas.

The main objective of EU agricultural policy on rural development is to promote and develop a relationship between agriculture and environment. The presence of pesticides in drinking water has become an increasingly larger issue, conventional agriculture being the main source of water contamination by nitrates, nitrites, bacteria, pesticides.

Not using pesticides results in a lower risk of contamination of agricultural products. Agricultural products are healthy, safe for human and animal consumption.

Farmers practicing organic farming are less exposed to risk of contamination by pesticides. It is known that many farmers die annually and present various serious conditions, which are caused by pesticides. Decreased biodiversity in conventional farming systems have the following causes: specialization, intensification, lack of mixed farms, lack of land uncultivated, pesticides (insecticides, herbicides, fungicides).

Use of pesticides is a threat to plants, animals and humans. Pesticides threaten the existence of certain wild species of plants and animals, with important implications throughout the food chain. By using pesticides we reduce the food sources for birds. Organic farms show an increase in the number and species of birds.

Crop rotation practiced on organic farms maintains soil sustainability, causes fewer problems caused by diseases, pests and weeds. Organic farming contributes to a more varied landscape and ensures greater biodiversity.

Conventional agriculture has decreased soil organic matter content and caused the accumulation of toxic compounds. In organic practice, soil fertility and health are maintained by biological methods such as crop rotation, hand work, weeding, composting, mulching using organic fertilizers is increased and maintained the percentage of soil organic matter.

Not using chemical fertilizers and organic fertilizers intake reduce the risk of washing nutrients, a problem in many countries and a threat to drinking water.

Organic farming aims to preserve unaltered the environment by using organic fertilizers and the less soluble minerals, the compost, green fertilizer, vegetable preparations. Use of pesticides is prohibited,

only products that do not harm plants, based on simple mineral salts and plant extracts are allowed.

Organic agriculture minimizes global environmental problems such as acid rain, global warming, biodiversity loss, desertification.

Organic farming is based on intensive manual labor practices.

Organic food market is booming, especially in industrialized countries. Growing demand for organic agricultural products from consumers makes many farmers switch to organic practices. Organic farming can be a source of income for small farmers, family farms. In organic farming productions per unit area are lower than conventional farming systems. Decreased yields were recorded especially during conversion from conventional agriculture to organic farming, requiring some time before the agricultural ecosystem restored an ecological balance, after which the production is stabilized. Price recovery of organic agricultural products is higher than that of conventional products.

Specific techniques of production used in farming systems plus some smaller productions than in conventional systems of production are causing the prices to be slightly higher.

Even in developed countries where organic agriculture has a higher profile, it was and still is supported by various economic levers (subsidies, tax exemptions, etc.). Currently, when these forms of supporting the organic farming are eliminated for various reasons, a return of farmers to conventional agriculture system is visible.

The need to support organic farming is particularly important as it is in the early stages of development in certain countries. For organic products to be marketed as such, they must be controlled and checked by approved laboratories. These laboratories should be available to agricultural producers, both in time and space, as well as in financial terms. For example, organic products obtained in Romania are sent to laboratories in other countries to control

3. Conclusions

To mitigate the effects of pollution, one have started large projects and actions to raise awareness, especially large industrial concerns, to take measures to eliminate the effects of pollution. In this context, contemporary society advocates for healthy eating and a healthy lifestyle. The starting point of a healthy diet is the food source, namely agriculture. The idea of a biological food excludes chemical fertilizers. Thus, increasingly one insists on the idea of developing an organic farming in which to completely eliminate use of chemicals that do nothing but diminish the quality of fruit and vegetables, and harm the health of those who consume them.

EU emphasises on the production of animal and vegetable organic goods and encourages those who practice such agriculture.

Organic farming is a dynamic sector in Romania in recent years which has seen an upward trend, both in the vegetable and animal production sector.

Organic crops are (now) smaller and sometimes more expensive by 10-30% compared with the conventional. Decreased yield and economic efficiency is compensated by increasing the quality and stability of organic production

Manpower requirements is greater than in conventional agriculture which, in practical terms, it means jobs, and additional expenses.

Organic farming has greatly contributed to lasting economic development and play an important role in improving environmental conditions, soil preservation, water quality improvement, biodiversification and nature protection.

Organic farming can go forward in the rural economy and make it viable by expanding economic activities with high added value and generating employment in rural areas

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The Structure of Financial Regulation

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Abstract

During the current global financial crisis has called into question the role and objectives of the regulation of financial markets and its scope of action. Liberalization of financial services under the impact of globalization and strong innovative character of the financial system, architecture of regulation has generated a change. In this sense, this paper aims to present and evaluate the structure of financial system regulation in the current international context.

Key words: financial regulation, financial system

J.E.L. classification: G18, G21, G22, G23

1. Introduction

In today's world in which we operate pay particular attention to financial matters as a consumer of real goods and financial institutions as well as financial and non-financial, financial market participant. This is due to functions that meet the financial system in the global economic system, into the overall social welfare of the individual. It is known that the action of the financial system ensure the interaction of buyers and sellers in a financial market that determines the prices of the traded financial assets (like loans, bonds, equities, deposits, etc). By financial systems it also provides liquidity, an attractive feature when circumstances create a mechanism for investors to sell financial assets. Another function of financial system is that it reduces the cost of transacting, costs mostly knows like search costs and information costs. [8].

Due to its functions, the financial system is central to overall economic system which requires the creation of optimal operating rules and efficient financial market. It requires the exercise of financial regulation. General philosophy as a whole presents financial regulation rules and conventions accepted by the financial community at two levels. At the basic level of financial regulation aims to fulfill the specific role assigned to financial sector regulation. High-level financial regulation takes into account the role of ideologies and economic markets in general operations and financial markets in particular. The primary objective of financial regulation is to establish a high level of financial market efficiency and consumer protection in the economy. More specifically, financial regulation seeks: ensure the stability of financial system • ensure the institutional safety, • to promote consumer protection.

Historically, financial regulatory activity was generated by the first appearance of modern central banks - Bank of England - in 1694, which culminated in the adoption of The Glass Stegall Act in the U.S. in 1933. For a period of almost 40 years of monetary and economic transformations, had generated a increased international financial regulatory process. In the 1970s, 1980s and 1990s and then was held to reduce financial regulatory activities and financial deregulation phenomenon. The main factors influencing this were on the one hand the ongoing process of liberalization of financial services in a globalized context coupled with a process of innovation and sophistication permanent financial markets worldwide. [10]. Here we could add other factors such as increased competition in the field, enhancing trade flows and international financial, enhancing the interdependence of financial institutions and almost exponential development of information technologies.

2. The structure of financial regulation

As we will address, the structure of financial regulation, understood as its architecture. In this architecture are implemented tools and methods that contribute to the monitoring of financial institutions to induce, in the end, financial system stability. In past and current international environment, easily recognize different financial regulatory architecture across countries with different features of their own financial markets. In addition, there are differences in political and ideological-philosophical administration which are found in every country.

The known structure of financial regulation is the *national regulation and international regulations*. National regulation is a set of rules and constraints imposed on financial institutions that operate in the economy. This type of legislation is exercised by the authorities mandated to do so. The international regulation aims to establish international norms and constraints applicable to financial institutions acting especially internationally. We can also think in terms of international regulations at regulations that imposed action area, ie the effect aimed at efficiency and stability of the entire international financial system. In terms of performance accountability international regulation noted that currently there is no institution or group of institutions that are mandated with this responsibility. There are only a few entities and international forums regularly or certain applications (eg the G20) made some recommendations regarding the structure, content and tools would be used for the international financial regulation, and thus a stable international financial system. Further, is up to the national regulatory authorities to implement these recommendations in their laws as rules and principles of financial regulation. From another point of view we can consider international regulation as all national and regional regulations.

Depending on the level to which the exercise, we know *financial regulation macro-prudential and micro-prudential financial regulation*. Macro-prudential financial regulation requires that the institution responsible for it should have

authority macroeconomic aggregate the entire economic system, and have systemic importance. Usually macro-prudential oversight holds responsibility for central banks. Micro-prudential financial regulation is responsible for supervision of individual financial institutions in each hand and must be characterized by individuality, prudential, legal and valuation. In practice savings, micro-prudential regulation is exerted by the Financial Services Supervisory institutions. Macro and micro prudential regulations is based largely on the principle of direct relationship with the largest systemically important financial institutions in the financial market. Although the two types of financial regulators have the basic points of view different, they coexist and are valid.

Based on macro-prudential regulation and micro-prudential regulation and regulation can also highlight *public and private regulation*. Public regulation is exercised by the authorities with responsibility for macro. We consider the regulation of, that type of regulation that is achieved within the financial institution, a kind of self-regulation. For example, Basel II Drinking fountains decision to let banks create some internal models for capital adequacy in order to prevent systemic risk. However, we must mention that regulating private, understood in this sense, has a strong degree of subjectivity and can only be beneficial to individual financial institution concerned. But it must be borne in mind that these institutions operate in interconnectivity with other financial institutions, nationally and internationally. This may induce additional global systemic risk. Therefore we believe that these regulations should be monitored and somewhat limited.

In terms of the area, financial regulation can be considered exercise *regulatory sector*. Depending on the main sectors of the financial system is bank regulation, regulation of insurance and securities. At national level, the central bank can exercise fully regulate all financial sectors in the economy. But often there is mandated entity responsible for regulating one or more sectors of the financial system, as for example in the United States or in China (Table 1). At the international level, there are created three entities responsible, to some extent by sector such as: the Basel

Committee on Banking Supervision - BCBS (banking), the International Association of Insurance Supervision - IAIS (insurance), the International Organization of Securities Commission - IOSCO (securities), International Accounting Standards Board - IASB (accounting). Of the three sectors it seems that the most powerful and fully regulated is banking. The insurance sector is less regulated and securities sector is the least regulated in some of its parts not at all regulated. Sector regulation deficiencies have emerged from the crisis started in autumn 2007. Some of these deficiencies have been visible from the East Asian crisis of 1997-1998. And then, prior to the leaders of G20, and other specialists in the field, brought into focus sector fragmentation and difference of these regulations (banking, insurance, securities), which involve negative effects on efficiency and financial stability in the long run. Specialists in the Basel Banking Supervision recommended reducing committal on key differences between the financial regulators three main sectors (banking, insurance and securities). Capital adequacy measures in all sectors of the aforementioned regulation and surveillance of systemically important financial holding international and cross-border action. There are also recommends closer cooperation and transparency between the main institutions governing the financial activities sector at national, regional and international levels.

Instrumental regulation is considering regulation of financial instruments or products traded on financial markets. Here we consider the specific instruments of regulation, those involving financial products or generate systemic risk and credit risk transfer products (credit default swaps, warrants financial insurance products, etc.). These products have the characteristic of risk transfer in and out of regulatory sectors. It is therefore recommended that more specific regulation, transparent and flexible of these types of financial instruments.

Institutional regulation is the generic name for the main authority responsible for regulatory activity and can be represented by government or by another independent entity some or all of the government of that country. Due to differences in the governance of the financial system in each economy is different practice patterns and supervisory

methods in terms of consumer protection rules, the capitalization level of risk assumed by banks, various control systems, audit or enforcement of financial institutions. [6]. Therefore, in a financial system can operate one or more entities engaged in financial regulatory activities (Table 1). They are responsible for the regulation of one or more sectors of the financial system.

Table 1. The short list of regulators authorities by country

Country	Authority (s)
United States	U.S. Securities and Exchange Commission (SEC) Financial Industry Regulatory Authority (FINRA) Commodity Futures Trading Commission (CFTC) Federal Reserve System ("Fed") Federal Deposit Insurance Corporation (FDIC) Office of the Comptroller of the Currency (OCC) National Credit Union Administration (NCUA) Office of Thrift Supervision (OTS)
United Kindom	Financial Services Authority (FSA)
Japan	Financial Services Agency (FSA)
Germany	Federal Financial Supervisory Authority (BaFin)
France	Autorité des marchés financiers (France) (AFM)
Singapore	Monetary Authority of Singapore (MAS)
Switzerland	Swiss Financial Market Supervisory Authority (FINMA),
Italy	Commissione Nazionale per le Società e la Borsa (CONSOB)
Netherlands	Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, AFM)
Republic of China	China Securities Regulatory Commission (CSRC) China Insurance Regulatory Commission (CIRC) China Banking Regulatory Commission (CBRC)
Brazil	Securities and Exchange Commission (Comissão de Valores Mobiliários, CVM)
Canada	Canada is one of the few countries that does not have a country wide securities regulator. Canadian securities

	<p>regulation is instead done at province level by separate agencies coordinated through the Canadian Securities Administrators.</p> <p>Investment Industry Regulatory Organization of Canada (IIROC) (French: Organisme canadien de réglementation du commerce des valeurs mobilières, OCRCVM)</p> <p>Office of the Superintendent of Financial Institutions (OSFI)</p>
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Source:

http://en.wikipedia.org/wiki/Financial_regulation,
accessed on november 2011

In accordance with the opinion of the Working Group on Financial Lake Squamata Regulation, in each country should be created a supervisory authority that follows systemic efficiency and stability of financial system. The role of systemic regulator should include: gathering, analyzing, and reporting information about significant interaction between and risks among financial institutions. The same institution also should establish and implement regulations flexible systems, including capital requirements, to cooperate with tax authorities and other government agencies with risk management activities. The institution with the role of systemic regulator should be the central bank. In this way, central bank become the systemic financial regulation that should not to be involved in consumer protection and business-practices regulation, should have adequate resources and should have an explicit mandate for stability of the financial system. As we see from Table 1 in most developed countries the central bank is not one of the authorities responsible for financial regulation only in very few cases. In developing countries and less developed financial system with a less sophisticated, the central bank is the primary regulatory authority of the financial system. But this does not confer the role of systemic regulator.

Formal regulation and regulation of evolutionary. Formal regulation is the body of laws and regulations issued and performed by competent authorities. History reveals that formal regulation is rigid and limited in relation to innovative and complex nature of the financial system. In the long term this

gave rise to financial crises. Evolutionary regulation is one that transforms and reinvents Depending on the financial system under time evolution and cyclical economic phenomenon.

Procyclical and countercyclical regulation regulation. Up to now most practices have shown the use of financial regulation that disadvantage procyclical type already shown to induce and increase systemic risks and therefore financial crises. With few exceptions (eg financial regulatory practices used by the authorities in Spain and Portugal) using financial regulations "against the wind" or countercyclical regulation, which proved to be more effective in creation of a more stable financial system, on a long-term. Price of countercyclical regulation practice is constraining the financial institutions to make certain types of activities and high profits. Moreover, in these situations, financial groups may choose to pass by such markets and choice the markets that are involving compliance procyclical regulation. Therefore, we agree with the idea of closer cooperation between supervisory authorities of the whole international financial system, to create uniform standards and regulatory practices, transparency and reinvented according to the financial context.

3. Conclusion

G-20 leaders recommend to be used the opportunity created by recent financial crisis to rethink and reform the structure and content of financial regulatory system, nationally and internationally. They recommend learning lessons and failures from turning crisis, to create a mechanism of resistance to the provision and future financial crises. We believe that this mechanism should be based on several key principles: coordination, collaboration, transparency, flexibility - adaptability and accountability. In this respect, we consider that to concert all these structures of financial regulation to create a truly efficient and stable global financial system.

4. Acknowledgements

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Mathematic Modeling Within Economics – a Critical Approach

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Abstract

In this paper we try to evaluate, through critical analysis, the process of mathematic modeling used within economics. The paper aims to underline the importance of mathematic modeling within economics, but also to point out that the current modeling of the economic process is not one of the most adequates, due to the fact that orthodox economic science is still entrapped within the paradigm of mechanical economics.

Key words: mathematic knowledge, economic knowledge, rational knowledge

J.E.L. classification: B41

1. Introduction

Roy Weintraub, in his paper "How Economics Became a Mathematical Science" [2002], presented several fascinating theories on the development of mathematics within economics. This paper is considered by many to be a very important one and an extremely provocative paper, due to the fact that it was written by someone with considerable experience in the application of mathematics for formulating and solving problems within economics and which conceived with great depth to use mathematics within this area of study.

An impressive essay on this paper is written by Barkley [2003] and is the object of several other articles, like, for example, Katzner [2003].

From Weintraub's perspective, the sense of truth in economics was modified during the 20th century. This modification was inspired by the sense of change within the truth in mathematics, meaning the attitude of mathematicians concerning the importance of

axioms which state something to be true from head on, without appealing to facts.

Also, one notices the fact that mathematics spread within economics during the time that positivism paved the path through the verification and false making of middle theories in order to determine the truth.

Weintraub's attention in his book is mostly oriented on the history of mathematics in economics, and more specifically of the way in which, through aut history, mathematics influenced economics, the latter becoming, in time, a science of mathematics.

An approach through the reasons for which economics has become a mathematical science is given by Donald W. Katzner [2003]. According to him, mathematics became important to economics because of four main reasons:

1. to make use of existing human capital;
2. to attain scientific respectability;
3. to help assure security with respect to claims of truth;
4. because economics was created primarily by Western economists to understand Western economic behaviour

Concerning the first aspect, he states that the fact that many mathematicians left their field of interest and researched economics, seeing here an opportunity to apply their accumulated capital of mathematical knowledge in a new and different fashion.

Concerning the second aspect, one states that a science is respected if it has the ability to explain and to predict phenomena. In this fashion, a whole series of methodological imports was made within economics, from nature sciences, specifically, mechanical physics.

Concerning the third aspect, one states the fact that many economists appealed to mathematical modeling of economic processes in order to obtain epistemological security or for the feeling of safety concerning the intentions of truth. In other words, the import of mathematics into economics was thought to allow for argumentation and justification.

Concerning the fourth aspect, it is a known fact that most contributions to economics were made by Western economists. These have tried to catch the economic behavior of individuals by using the mathematical instrument.

From the four reasons mentioned above, we retain, according to our study, two of these, meaning the need to use mathematics within economics in order for it to be considered a science (to offer an explanation and prediction) and the need to use mathematics within economics to ensure the requisites of truth while also trying, as follows, to see to what extent one can satisfy such a desire for the economic science.

2. Mathematical knowledge and economical knowledge

In the following, we will try to approach mathematical knowledge and economic knowledge from two main analysis guidelines:

1. relationships established within the interrogative subject and the questioned object;
2. the main principles which are the foundation for rational knowledge;

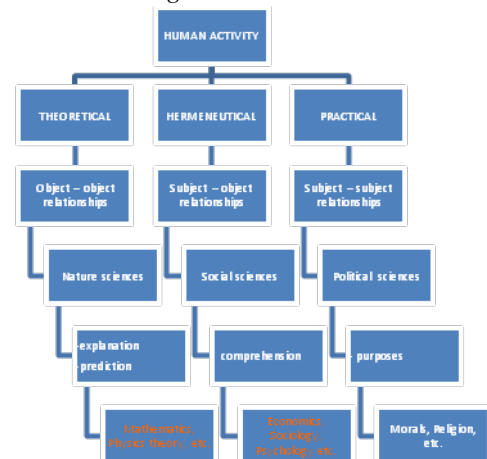
The main purpose of the analysis directions is to notice the possible resemblances within the mathematical knowledge and economical knowledge.

The need for such an approach derives from the fact that economic science desires to have scientific respectability (to bring explanations and to realize forecasts) and for epistemological security, the same as mathematical science.

According to Prof. Emil Dinga, Ph.D., human activity is in a relationship with the real world (whether it is exterior or interior to the interrogative subject) is divided into three categories (Figure 1 – The general scheme of human activity):

1. theoretical activity – which is specific to nature sciences, and has as an objective of knowledge relationships between object and object; this is addressed to fields such as mathematics, theory in physics, theoretical biology, etc., within this activity, we find that both explanations and predictions are possible;
2. hermeneutic activity – which is specific to social sciences, and has as objective of knowledge relationships between subject and object, it tackles fields such as economics, sociology, psychology, logic, etc. and makes comprehension available;
3. the practical activity – specific to political sciences, and it has as object the knowledge of subject – subject relationships; it addresses fields such as politics, morals, religion, etc. within these activities purposes are available.

Figure no. 1



Source: Emil Dinga, SpDAE, Academia Română, 2011

As a result of this classification, human activity presents several particularities concerning the interrogator subject and the questioned object, as follows:

- *within the human activity of theoretical kind*, the interrogator subject is considered exterior to the object of the theoretical activity. The action of the interrogator subject in the process of interrogation of the subject does not influence (disturbs, modify, etc.) the object.
- *within the human activity of hermeneutical kind*, the interrogative subject is not different, in a decisive

manner, from the questioned subject. The action of the interrogator subject within the questioning process of the object influences (disturbs, modifies, etc.) the object.

- *Within the political activity kind*, the interrogative subject and the questioned object are inoperable: the interrogative subject and the questioned objective are, at the same time, interrogator and questioned.

Considering the relationships that are established within the knowledge process between the interrogative subject and the questioned object, on the three categories of human activities, we can make the following affirmations:

1. *Concerning mathematical knowledge* [Dinga Emil, 2010]:

- Mathematical knowledge is a knowledge of *theoretical kind*. This means that, methodologically, there are many axioms from which a series of theories can derive which have as an object of knowledge the *relationships between object and object*;
- Mathematical knowledge is of a *dynamic kind*. This means that, once the identity conditions were established (quantitative, structural or evolutionist conditions) for a class of abstract mathematical objects, these identity conditions are verified for every individual;
- Mathematical knowledge is, mostly, of a *tautological kind*. This means that, except for a restricted number of axioms (which are synthetical type sentences), the rest of the mathematical sentences are of an analytical type. Analytical sentences only describe, in other words, pre-existing contents;
- Mathematical knowledge is *acontextual*. This means that mathematical results objects are valid at any time and at any space;
- Mathematical knowledge is *intrinsic to human thought*. This happens due to the fact that the structure of human thought is isomorphic with the functional structure of our Universe (we perceive the causality at an identical level with real causality, inherent to our Universe).

2. *Concerning economic knowledge*

- Economic knowledge has as object of knowledge the *subject-object relationships*. In this case, it means that the interrogative subject is not a distinctive part of the interrogated object;
- Economic knowledge is *not of a dynamic type*, in an absolute manner, because the conditions of identity are not checked for every individual. In economics, we have non-individual or aggregate individuals.
- Economic knowledge is *not tautological*, because, due to the possibility of the modification of initial conditions, analytical sentences can no longer describe pre-existing contents;
- Economic knowledge is *contextual*, this means that economic objects of results are not valid in any time or space;
- Economic knowledge is *not intrinsic to human thought*, meaning that the perception of causality at the current level of thought can differ from real causality.

We would also like to mention the fact that rational knowledge must be based on two fundamental principles:

1. *The principle of intelligibility* – this principle assures us that the real world (exterior or interior in relation with the interrogative subject) can be ordered in a rational way, this means that it is possible to identify an explanatory model of a logical kind, which is coherent, consistent and complete, concerning the phenomenology which represents the object of knowledge;
2. *The principle of objectivity* – this principle assures us that the interrogative subject is not a part of the reality which includes the knowledge process, and the interrogation is done in a von Neumann regime.

Considering (Figure 1) these two principles of rational knowledge, we notice the fact that mathematical knowledge respects them completely, but we still have our doubts whether they are respected within the economic knowledge or not. In other

words, in economic, the second principle of rational knowledge is not respected, meaning that the interrogative subject is no longer completely and decisively different from the questioned object.

Thus, within knowledge in economics, there is a situation where an interrogative subject questiones an object which is not part of the object-object unit, rather from the subject – object unit. The effect is, that in this situation, the interrogative subject is not percivable as different from the questioned object and the logical conclusion is that, as a whole, economic knowledge can not ensure knowledge of what is real, meaning on truth and must limit itself with a likely knowledge of the interrogated object.

3. Mathematic modeling of economics

Considering what we said before, we believe that mathematical modeling in economics is a modeling based on, as, actually, in mathematics, on dynamic ecuations, and this fact makes for the description of the economic process, but even more so, of the predictions made on the basis of the current modeling to present several considerable uncertainties and unacceptable imprecisions.

In his paper „*Studii de economie – contribuții de analiză logică, epistemologică și metodologică*” [Economic studies – logical, epistemological and methodological analysis contributions] of Professor Emil Dinga [1], Ph.D., there are several statements concerning the economic process and its modeling in orthodox economic science:

1. *The economic process is considered a mechanical process:*
 - It is a completely causal process;
 - The causality of the economic process is of an eutaxiological kind (the noticeable order has an efficient cause – in the sense of Aristotle); we must notice the fact that, in the theleological causality, the noticeable order has a purpose (the final cause – in Aristotle`s sense);
 - Time and space which localizes the economic process are considered absolute (independant from the economic process itself);
 - The economic subject is considered a sui-generis machine for the optimization of

decisions; it is situated on the outside compared to the economic process (different in a decisive manner);

- The values which guide a society and which determine its vision on the world (religion, scientific and technological initiative, the political and economic order, etc.) are not considered variables of the economic process (the main values presented in actual economic models are those which can be quantified by attributing equivalent monetary values);
 - Non-linear, bifurcation points, attractors, are not attributes of the orthodox process;
2. *As a result, orthodox modeling of the economic process has the following attributes:*
 - Is based on optimization processes;
 - Is based on dynamic ecuations (even if a certain relaxation of the dynamic characteristic is noticed, via the introduction of statistic alleatory variables);
 - Is based on the variability of initial conditions (or final, according to case) of the economic process;
 - Is based on the exogenous nature of the human process (as a decider and participant), which ignores the Oedipus effect (the Oedipus effect is the one which modifies the initial conditions).

Moreover, we can also mention the fact that, in mathematic modeling, one takes into account three methodological premises which are extremely debatable:

1. The rationality of the individual;
2. The idea that the economic process tends towards equilibrium;
3. The minimization of the opportunity cost.

Concerning these methodological principles, one notices that:

- Firstly, the fact that economic modeling is considered identical with mathematical modeling, meaning the fact that they start from the premise that both principles of rational knowledge are satisfied, which is extremely debatable, due to previous reasons;
- Secondly, the fact that the individual which models the economic process is not treated like a historic individual, rather like a generic, non-contextual individual, rather an optimization machine, which represents a gross and

unacceptable simplification from a praxiological perspective;

- Thirdly, the fact that, in economic theory, the economic processes are considered self-regulatory and not through the means of normative-type impulses.

Having said this, in our opinion, the most important causes which are the origin of the orthodox economic process modeling and which are not found in reality are:

✚ The economic order is an eutaxiologically generated order in economic modeling, meaning:

1. It is based on four methodological invariances:
 - The invariance of the law linked to initial conditions;
 - The invariance of the law linked to the time arrow;
 - The invariance of the law linked with the quantitative accumulations;
 - The invariance of the law linked to final causes;
2. The rejection of the idea according to which the efficient causes of the economic process are effects of the final causes;
3. It is believed that the future can not be normatively built, only casually forecasted;
4. Possible worlds are already given, via probabilities;

✚ Man is placed outside the modeled economic process and for this reason it is believed that he:

1. Does not influence initial conditions;
2. Does not influence the movement law;
3. Does not continuously evaluate the context;
4. Is not considered one of the independent variables only under the sign of the production factor.

In conclusion, the modeling of the current economic process has, as basis, the principles of rational knowledge, specific to nature sciences (of mathematics is a part of), using efficient causalities and not purpose causalities, and which does not integrate the interrogative subject within the questioned object.

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The Development of a Multi-Item Scale to Measure Brand Equity

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Abstract

This paper seeks to explore the way in which a multi-item scale for measuring brand equity can be developed. Nowadays brand equity has become a very complex and significant construct and it is the subject of much research. The article presents a brief introduction into the concept of brand equity and a short piece of theory about the development of multi-item scales. It also includes a valid and reliable measurement instrument for this complex construct which can be successfully applied to the Romanian market.

Key words: brand equity, multi-item scales, brand equity constructs, proposed questionnaire, exploratory factor analysis.

J.E.L. classification: M310

1. The concept of brand equity

The concept of brand equity has lately been the subject of much debate. Researchers started asking themselves whether brand equity should be analyzed from a consumer-oriented or a market performance-oriented perspective. Motomeni and Shahrokhi (1998) presented this disagreement and they identified two opposing viewpoints: the marketing perspective and the financial accounting perspective [1].

The two major theories when we speak about brand equity from a marketing perspective belong to Aaker and Keller. Aaker (1991) defined brand equity as "a set of five categories of brand assets (liabilities) linked to a brand's name or symbol that add to (subtract from) the value provided by a product or service". He specified the five dimensions of brand equity: a) brand awareness; b) brand perceived quality; c) brand associations; d) brand loyalty; and e) other proprietary brand assets, such as

patents, trademarks and channel relationships. Aaker considers these dimensions the main bases for brand equity measurement [2].

Keller defined "Customer-Based Brand Equity" as "the differential effect of brand knowledge on consumer response to the marketing of the brand". There are three key ingredients to this definition: 1) differential effect, 2) brand knowledge, and 3) consumer response to marketing [3].

2. Developing multi-item scales

One of the main values of a scale is its ability to measure a concept by using multiple indicators rather than one, which facilitated the complexity of concepts. A single observation may be misleading and lacking in context thus multi-item measurement scales help overcome these distortions. Scales also allow for greater precision, specifically in relation to ranking or classifying groups and identifying subsequent differences or similarities. Lastly, by summarizing the information presented by a number of questions into one variable the analysis is simplified.

The characteristic to be measured is called a construct. Scale development begins with an underlying theory of the construct being measured. A theory is necessary not only for constructing the scale but also for interpreting the resulting score. The next step is to generate an initial pool of scale items. Typically, this is based on theory, analysis of secondary data, and qualitative research. From this pool, a reduced set of potential scale items is generated by the judgment of the researcher. Some qualitative criterion is adopted to aid the judgment. The reduced set of items is still too large to constitute a scale. Thus, further reduction is achieved in a quantitative manner.

Data are collected on the reduced set of potential scale items from a large pretest sample of respondents. The data are analyzed using techniques such as correlations, factor analysis, cluster analysis, discriminant analysis, and statistical tests. As a result of these statistical analyses, several more items are eliminated, resulting in a purified scale. This purified scale is evaluated for reliability and validity by collecting more data from a different sample. On the basis of these assessments, a final set of scale items is selected.

3. Constructs of the consumer brand equity model

One of the most recent models that links brand equity and purchase decision in the automobile industry is the model proposed by Ahmed Tolba [4].

In this model Tolba uses the following constructs:

1. Knowledge Equity – divided into two sub-constructs: Awareness and Familiarity;
2. Attitudinal Equity - divided into four sub-constructs: Affect, Prestige, Perceived Quality and Perceived Value;
3. Relationship Equity - divided into two sub-constructs: Customer Satisfaction and Attitudinal Loyalty;
4. Behavioral Constructs: Brand Preference, Purchase Intention and Behavioral Loyalty.

The dimensions of brand equity identified by Aaker and Keller are also included in Tolba's model.

4. Initial pool of items

Marketing literature includes many scales and items which help measuring the constructs presented above.

The Knowledge Equity construct can be measured using different scales and items:

I. Familiarity of the Object scale developed by Oliver and Bearden (1985) [5].

1. In general, would you consider yourself familiar or unfamiliar with.....? (*very familiar / very unfamiliar*)

2. Would you consider yourself informed or uninformed about? (*not at all informed / highly informed*)

3. Would you consider yourself knowledgeable about? (*know a great deal / know nothing at all*)

II. Knowledge of the brand scale developed by Algesheimer, Dholakia and Herrman [6]

1. When compared to other people I know a lot about this brand.
2. My friends consider me an expert regarding this brand.
3. I consider myself very experienced with this brand.

The Perceived Quality construct can be measure using the following scales and items:

I. Quality of the Brand scale developed by Keller and Aaker (1992) [3].

1. low quality / high quality
2. not at all likely to try / very likely to try
3. inferior / superior
4. bad / good
5. worse than most brands / better than most brands
6. negative / positive
7. not likely to buy / very likely to buy

II. Quality of the product scale developed by Adaval and Monroe (2002) [7].

1. extremely low quality / extremely high quality
2. very little durability / very high durability
3. very unreliable / very reliable

The Perceived Value construct can be measured using different scales and items:

I. Value of the Product scale developed by Oliver and Bearden (1985) [5].

1. not at all expensive / very expensive
2. poor value for the money / good value for the money
3. a bad bargain / an excellent bargain

II. Value of the product scale developed by Adaval and Monroe (2002) [7].

1. extremely bad buy / extremely good buy
2. not worth the money / well worth the money
3. very bad bargain / very good bargain.

The Prestige construct can be measured using the following scale and items:

1. This brand is prestigious (*strongly disagree / strongly agree*)
2. This brand is exclusive (*strongly disagree / strongly agree*)
3. This brand is high status (*strongly disagree / strongly agree*)

The Satisfaction construct can be measured using the following scales and items:

I. General Satisfaction scale developed by Oliver and Bearden (1981) [5].

1. This is one of the best..... I could have bought.
2. This is exactly what I need.
3. Thishasn't worked out as well as I thought it would.
4. I am satisfied with my decision to buy this.....
5. Sometimes I have mixed feeling about keeping it. (r)
6. My choice to buy this was a wise one.
7. If I could do it over again, I'd buy a different make / model. (r)
8. I have truly enjoyed this.....
9. I feel bad about my decision to buy this (r)
10. I am not happy that I bought this
11. Owning this has been a good experience.
12. I am sure it was the right thing to buy this

The Attitudinal Loyalty construct can be measured using the following scale and items:

I. Loyalty scale developed by Yoo, Donthu and Lee (2000) [8].

1. I consider myself to be loyal to the brand. (*strongly disagree / strongly agree*)
2. The brand would be my first choice. (*strongly disagree / strongly agree*)
3. I would not buy other brands if the brand is not available. (*strongly disagree / strongly agree*)

The Brand preference construct can be measured using the following scale and items:

I. Brand preference scale developed by Sirgy et al. (1997) [9].

1. I like better than other car brands. (*strongly disagree / strongly agree*)
2. I would consider buying before other car brands. (*strongly disagree / strongly agree*)
3. I would prefer to other car brands. (*strongly disagree / strongly agree*)

The Behavioral Loyalty construct can be measured using the following scales and items:

I. Brand Loyalty scale developed by Algesheimer, Dholakia and Herrmann [6].

1. I intend to buy this brand in the near future
2. I would actively search for this brand in order to buy it.
3. I intend to buy other products of this brand.

II. Loyalty scale developed by Cronin, Brady and Hult (2000).

1. The likelihood that I will buy a brand again is. (*very low / very high*)
2. The likelihood that I would recommend a brand to a friend is. (*very low / very high*)
3. If I had to do it again, I would make the same choice and buy a brand. (*strongly disagree / strongly agree*)

The Intention to Buy construct can be measured using the following scales and items:

I. Purchase Intention scale developed by Rodgers (2004) [11].

1. I'm likely to make a purchase / I'm unlikely to make a purchase
2. I would like to have more information / I would not like to have more information
3. I'm interested in / I'm not interested in

II. Intention to buy scale developed by Petrevu and Lord (1994) [12].

1. It is very likely that I will buy this brand. (*strongly disagree / strongly agree*)

2. I will definitely try the brand in the near future. (*strongly disagree / strongly agree*)
3. I will probably purchase this brand in my next car purchase. (*strongly disagree / strongly agree*)

5. Qualitative research

The qualitative research is important because the above presented items are specific to the North American cultural context. It is therefore necessary to adapt the items to the Romanian cultural context. The final outcome will be a valid and reliable questionnaire.

The research problem referred to the investigation of the influence of the brand on the purchase decision in the automobile industry. The top three most sold car brands in Iasi have been analysed: Renault, Opel and Skoda.

Four focus groups have been organized and the participants were divided into two age groups: 25-34 and 35-44. They were selected from the dealers of the three car brands and also from rent-a-car companies. The focus groups had five major discussion topics: ways of establishing a hierarchy among car brands in terms of perceived quality; the description of a valuable car; the description of a prestigious car; the description of the preferred car; loyalty towards a car brand

6. Proposed questionnaire

According to the items found in the marketing literature and the ones resulted after the four focus groups the following questionnaire has been developed:

1. Have you heard of the brand Renault/Skoda/Opel? (yes / no)
2. Can you identify / recognize it if you meet it on the street? (definitely yes / definitely no)
3. To what extent do you consider yourself informed about this car brand? (very informed / not at all informed)
4. Renault/Skoda/Opel is part of the car category that you consider: inferior, medium towards inferior, medium, medium towards superior, superior.

5. Renault/Skoda/Opel has: low quality, medium towards low quality, medium, medium towards high quality, high quality
6. Renault/Skoda/Opel is cheap, rather cheap, so and so, rather expensive, expensive
7. The relationship between quality and price for Renault/Skoda/Opel is: low, rather low, so and so, rather high, high.
8. The purchase of a Renault/Skoda/Opel is a: bad business, rather bad business, so and so, rather good business, good business.
9. Renault/Skoda/Opel is a prestigious brand: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree
10. Renault/Skoda/Opel is an exclusive brand: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
11. Renault/Skoda/Opel offers a social status: much below the average, below average, medium, above average, much above average
12. Renault/Skoda/Opel is a car brand: disagreeable, rather disagreeable, neither agreeable nor disagreeable, rather agreeable, agreeable.
13. As a brand Renault/Skoda/Opel: I simply dislike it, I rather dislike it, It doesn't matter for me, I rather like it, I simply like it.
14. On the whole Renault/Skoda/Opel gives me a feeling: negative, rather negative, neutral, rather positive, positive.
15. I like Renault/Skoda/Opel more than other car brands: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
16. If I were to buy a car I would take Renault/Skoda/Opel into consideration before other brands: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
17. On the whole I can say that I prefer Renault/Skoda/Opel to other brands: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
18. Did you possess a Renault/Skoda/Opel? (yes / no)
19. Did you rent a Renault/Skoda/Opel? (yes / no)

20. Did you drive (without owning or renting) a Renault/Skoda/Opel? (yes / no)
21. To what extent are you satisfied with the characteristics of the Renault/Skoda/Opel brand?: very small, small, neither small nor large, large, very large.
22. I am disappointed with the performances of the Renault/Skoda/Opel brand: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
23. Renault/Skoda/Opel is my first choice when it comes to buying a car: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
24. If Renault/Skoda/Opel were temporarily off the market I would not buy another brand: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
25. On the whole, I consider myself loyal to the Renault/Skoda/Opel brand: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
26. The probability or repurchasing a Renault/Skoda/Opel is: very low, low, neither low nor high, high, very high.
27. The probability of recommending a Renault/Skoda/Opel to a friend is: very low, low, neither low nor high, high, very high.
28. It is very likely to buy a Renault/Skoda/Opel: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.
29. I will definitely try a Renault/Skoda/Opel: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.

7. Testing the initial questionnaire

The intelligibility of the questionnaire was verified by applying it to 15 people who took part in the focus groups. Therefore it was shown that people understood the items and could give an answer to each question.

The next step was the exploratory factor analysis. The purpose of conducting an exploratory factor analysis is to identify the factor structure underlying a set of variables, responsible for the co-variation in the dataset. In exploratory factor analysis, factors are extracted to account to the common variance,

while the remaining unique variance is unanalyzed.

There are 18 items that cover the following constructs: Knowledge Equity (2 items), Quality (2 items), Value (3 items), Prestige (3 items), Affect (3 items), Satisfaction (2 items) and Attitudinal Loyalty (3 items). These items have been analyzed, hoping to generate factors that are conceptually interpretable.

Two exploratory factor analyses have been conducted for the three models (Never Tried, Tried and Owned) for each of the three car brands Renault/Skoda/Opel. The first test involves the Knowledge Equity construct as well as Attitudinal Equity constructs (Quality, Prestige, Affect and Value). The second test involves Relationship Equity constructs (Satisfaction and Attitudinal Loyalty).

Test I: Knowledge Equity and Attitudinal Equity

This test has been performed for all the three models: Never Tried, Tried and Owned.

Never Tried

There are 13 items here: Knowledge Equity (2 items), Quality (2 items), Value (3 items), Prestige (3 items) and Affect (3 items). For each of the three sub-models (Renault, Skoda and Opel), a number of 80 observations has been performed, higher than 65 observations - the minimum size of the sample ($5 * 13 = 65$). Therefore the sample size is adequate for the exploratory factor analysis.

The decision regarding the number of factors that are going to be kept in the model can be taken following a number of criteria: **Kaiser's criterion** - refers to choosing the number of factorial axes whose eigenvalues are greater than one; **Cattell's criterion** - means the graphical representation of the eigenvalues (Scree Plot); **Benzecri's criterion** - speaks about choosing the number of axes which explain over 70% of the total variance. Using the first criterion all the item charge more than 60% on one factor and therefore they will all be retained. The KMO statistic has a 0.859 value (for Renault), 0.816 (for Skoda) and 0.881 (for Opel) showing that the solution is more than adequate.

The first Factor consists of an item belonging to the Quality construct, one item belonging to the Value construct, one item belonging to the Prestige construct and three items belonging to the Affect construct. The first factor will be named IMAGE

The second factor is made of an item belonging to the Value construct and two items belonging to the Prestige construct. Item number 10 will be eliminated from the model because it charges less than 60%. The second factor will be termed VALUE.

The third factor is made of item 2 and item 3 and will be termed KNOWLEDGE.

The same 3 factors IMAGE, VALUE and KNOWLEDGE apply for all three car brands Renault, Skoda and Opel.

Owned

The values of the KMO statistic are 0.887 (for Renault), 0.802 (for Skoda) and 0.829 (for Opel) and we have the same three factors: IMAGE, VALUE and KNOWLEDGE. Item 10 will be again eliminated from the model.

Tried

The values of the KMO statistics are 0.887 (for Renault), 0.836 (for Skoda) and 0.834 (for Opel) and we have the same three factors: IMAGE, VALUE and KNOWLEDGE. Item 10 will be again eliminated from the model.

Test II: Relationship Equity (Satisfaction and Attitudinal Loyalty)

Using the Kaiser Criterion two factors will be retained. The first factor contains two items belonging to the Satisfaction construct. The second factor contains one factor belonging to the Satisfaction construct and one factor belonging to the Loyalty construct. The two factors will be termed SATISFACTION AND LOYALTY. The situation is similar for all three analysis: Never Tried, Owned and Tried. The KMO statistic is greater than 0.8 for all the models analyzed Never Tried, Owned and Tried and for all car brands: Renault Opel and Skoda.

Reliability analyses

The exploratory factor analyses offered five factors: IMAGE, VALUE, KNOWLEDGE, SATISFACTION and LOYALTY. For a construct to be reliable the Alfa Crombach statistic has to be higher than 0.7. This situation happens for all the

constructs except the SATISFACTION construct. Therefore item 22 can be dropped because it either refers to something else or it was not perceived correctly by the Romanian market.

8. Conclusions

After conducting an exploratory factor analysis two items from the initial proposed questionnaire were dropped: item 10 because the charging on the second factor is less than 60% and item 22 because the Alfa Crombach statistic for the Satisfaction construct is less than 0.7 and therefore the satisfaction scale is not reliable. After studying this paper, readers come across a theory of how to develop a multi-item scale and they also have a valid and reliable instrument to measure the very complex construct named brand equity.

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The Quantitative-Qualitative Controversy in Marketing Research

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Abstract

A critical point in the process of establishing a research methodology is represented by the choice related to the type of analysis that should be used: quantitative or qualitative. The arguments in favor of quantitative or qualitative research have been the subject of a large number of scientific articles. The difference that can be made between the two research methods refers to each article's technical specificity and style. In a marketing research, in order to respond to the requirements of validity and reliability, the quantitative and qualitative methodologies should be correlated so that the problem is resolved in a logical way.

Key words: quantitative research, qualitative research, validity, reliability, trustworthiness
J.E.L. classification: M310

1. Primary concepts

According to the selection method and the nature of the information, the marketing research can be [1]:

- Quantitative research – leads to quantitative results (statistics), using a series of specific techniques: surveys based on questionnaire, market investigations or panels;
- Qualitative research – identifies consumer's attitudes, perceptions and motivations, offering precise explanations pertaining to their behavior and decisions (the results cannot be directly measured from a statistical point of view and also cannot be extrapolated for the entire population. It is an exploratory research or one that regularly precedes a quantitative study adding new information. The techniques employed in

a qualitative study are: free or individual dialogues; focus groups; projective tests (the exposure of the subjects to stimuli that make them project their needs, motivations, preferences or intentions); associative tests (word association or filling in a phrase, a story or a drawing); experimental tests (allow the measurement of the interest manifested by a person towards a product, advertising or subject).

The origin of the qualitative approach comes from the historian Grambattista Vito in the second half of the XVIII century. He considered that through “intuitive understanding” people can only understand each other. Sociologists claim that the intuitive experiment and the use of empathy have been the basis of major discoveries in this field [2].

Qualitative research allows a better understanding of the investigated marketing phenomenon, without the use of quantitative research or quantifications. For example, a quantitative research study can identify the statistically significant differences among the people who use a certain product in comparison to the ones who don't use it or uses it less. On the other hand, a qualitative research study offers information about the consumer's attitudes towards a product or related to the motives that make a client buy a certain product [3].

Quantitative research uses numbers and statistical methods for testing research hypothesis. The results of this kind of study can be easily generalized.

According to the type of information generated by a certain study, the specialists make a difference between quantitative and qualitative research.

Taking into account the nature and content of the information, these can either be quantitative or qualitative [4]:

- Quantitative information refers to observing the consumer's general behavior in the marketplace. The important aspects speak about the awareness of the products and brands, the bought quantities, purchase locations and the ways of informing about the products. This information is the answer to the "how?" and "how much?" questions and can be considered relative, objective and controllable.
- Qualitative information refers to the individual's behavior and is usually obtained by answering the "why?" question. Opposed to quantitative information the qualitative one has a strong subjective nature. In this category one can include motivations, perceptions and arguments.

The results of a quantitative research can be enriched using the instruments of a qualitative research. Dubois and Jolibert, (1993) consider that the two types of studies are correlated and not opposed.

Emilio Bartezzaghi (2007) states that the problem doesn't consist in establishing which type of research is the best but to determine which is the most suitable method in a certain decisional situation taking into account the purpose of the research. The quality of a research project and its results don't depend on the proportion of the quantitative or qualitative methods used, but on the coherence of their implementation.

The difference between the two types of research can be, however, made for theoretical purposes [5]. Therefore the objective of a qualitative research is to understand a certain market phenomenon in order to identify the consumer's motivation. In the case of the quantitative research the goal is to quantify the information and to generalize the results for the entire target population.

The analyzed sample in a qualitative research is made out of a small number of cases whereas in a quantitative research one can process the data obtained from a large number of subjects [6].

The data analysis in a qualitative research is a content, subjective and interpretative one, while the quantitative research uses statistical

methods.

The results of a qualitative research means understanding a marketing phenomenon, while by using qualitative methods one can recommend a way of acting [7].

The qualitative research is an exploratory study and the quantitative research uses descriptive and causal methods.

2. Quantitative versus qualitative - literature review

The relevant aspects identified using qualitative methods are defined and characterized exactly by means of quantitative research. Groucut (2006) states that quantitative research becomes absolutely necessary when we want to know and quantify the market segments for goods and services that are in the growth or maturity stage and the way in which consumers define the position of goods and services in the marketplace.

Dubois and Aroujo (2007) consider that qualitative research methods are not better than the quantitative ones. They emphasize that the way in which researchers highlight the theoretical aspects of every subject is very important in choosing the proper research method.

Damien McLoughlin (2007) has a different point of view related to the controversy between quantitative and qualitative. The arguments of this debate represent a starting point in making a "very interesting" research with the purpose of enriching the state of knowledge in a certain field. The author analyses the opinions of some Purchasing Supply Management specialists and considers that the studies which use quantitative methods thoroughly statistically tested are more difficult to implement and not always used as references for other studies [8]. On the other hand qualitative studies contain ideas and concepts that raise our interest, invite us to dialogues and can influence the reader's way of thinking [9]. The author considers that qualitative studies are used more as references and are more often cited in other articles.

Wilson and Natale (2007) think that the distinction between the two methods is so evident that any attempt to separate the two

can become useless in certain cases. The methodology that stands for the research comes from the research question. According to the author's opinion the so called distinction between qualitative and quantitative has only the purpose of prejudging the work models and procedures which should be left "opened".

Authors support their opinion according to which the distinction between quantitative and qualitative has no sense using an example: if you want to find out if A loves B, you can count how many times he calls her honey (even if he had done this when he was angry) or you can count how many times they walked or danced together (quantitative research). This statistical information can be relevant when it helps identify the link between "true love" and these three activities (qualitative research). Therefore the quantitative information is useless without being interpreted.

The qualitative-quantitative research paradigm dates back to the philosophical thinking of the XX century [10].

Qualitative empirical studies are part of a positivist traditional research frame. This frame focuses on the development of valid theories for the studied population.

Quantitative studies use constructivist and naturalist approaches (Lincon and Gruba 1985), interpretative (Smith 1983) or post-modern perspectives (Quitiz, 1992) [11].

3. Validity and reliability in quantitative and qualitative research

There are certain differences in estimating the quality of a quantitative study in opposition to a qualitative one.

In the case of qualitative studies Guba and Lincon (1985) used the notion of "trustworthiness" in order to evaluate the quality of the research. This concept has four attributes: credibility, transferability, dependency and certainty.

In the last two decades the concepts of validity and reliability in a qualitative research have been replaced with evaluation and criteria standards for the impact of the significant relevance and the utility of marketing research [12].

Validity refers to the accuracy of the representations and generalizations made by the researcher and to the authenticity of his statements written in the research report [13].

In the results of a research study, reliability appears when these results are the same as in the case in which the analyzed situation repeats itself [14].

The "validity and reliability" terminology is used for the studies conducted in Great Britain and Europe [15]. In North America there are a few authors who agree that this terminology should be extended to quantitative studies because the ultimate goal of research is to generate credible and plausible results [16].

When appreciating the quality of a qualitative study we use the concepts of "internal validity", "external validity" and "objectivity" [17].

4. Conclusions

Both the quantitative and the qualitative research should be correlated in a study and they must contribute to generating valid and reliable results. The differences between the two research methods are theoretical and refer to the objective, sample, data analysis, research results and the type of research.

In the marketing literature authors have almost the same opinion regarding the theoretical differentiation criteria. When choosing the analyzed method, the type of qualitative or quantitative information that the researcher has at his disposal is very important.

Apparently the qualitative research is more often cited because it is easier to read. At the same time the quantitative research is offering a greater amount of information and is more strictly structured [18].

At the basis of the qualitative-quantitative controversy lie totally different philosophies. The essence of qualitative research is to present life as it is lived [19]. The qualitative researchers watch people in their environment and interact with them in certain conditions. They consider that the best way to understand a phenomenon is to get into it [20]. They state that the quantitative research is limited and it analyses people in an artificial environment, seeing only a part of the reality. They argue that human

experience cannot be described by using numbers or explained by controlling, measuring and manipulating variables.

Qualitative researchers demand flexibility. Instead of doing a structured study which contains fixed questions and answer categories, they allow questions to appear and to be modified as they become more and more familiar with the subject [21].

On the other hand, the base principal of the quantitative philosophy is represented by the objectivity obtained by enumerating, adding and causality. Kerlinger states that "there is no quantitative information. Everything is either 1 or 0". Knowledge means measuring, cause and effect and reduction.

The design of a quantitative research is a detailed plan using predetermined hypothesis. The use of sampling statistic techniques for questioning representative samples allows the extrapolation of the results for the entire population.

Quantitative researchers pride themselves that they are not bias, analyzing the subject objectively. They criticize the qualitative researches, accusing them of being bias and influenced by the prejudged opinions of the researchers and of the study participants. The excessive particularity and the analysis of a certain questioned subject without establishing connections with broader situations are also criticized by the quantitative researchers.

5. Acknowledgment

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Does Migration Influence Regional Growth in Romania?

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Abstract

In the European framework, regional convergence is crucial in ensuring European integration. "Sigma-convergence" deals with how the distribution of national output across economies evolves over time whereas "beta-convergence" deals with the mobility of this output within the same distribution. Migration is one important mechanism in generating convergence.

In Romania, during the last few years, the main results point out at an income divergence trend with no migration influence. This irrelevancy of migration can be explained by the very low levels of net migration rates.

Key words: income convergence, non-linear model, internal migration.

J.E.L. classification: J61, R11, R15.

1. Introduction

Usually, migrants move from regions with low incomes and high unemployment to regions with higher incomes and better employment opportunities. This contributes to the adjustment to asymmetric shocks. But if labour is rigid, the regional disequilibria will persist unless other mechanisms (e.g., fiscal) intervene (Fidrmuc [11], 2004).

Labour mobility is high in the US (Blanchard & Katz [5], 1992) and low in Europe (Decressin & Fatas [8], 1995). Moreover, in Central and Eastern Europe, the transition from central planning to market economy caused a series of regional disparities; here, labour mobility is even more crucial to help diminish them (Repkine & Walsh [21], 1999). These disparities are not important only internally, but also externally, for example, to enter the Economic and Monetary Union.

In European practice, regions with high wages tend to have high in-migration as well as high out-migration, rather than high in-migration and low out-migration. Similarly, unemployment seems to discourage both in-migration and out-migration, although its significance is, usually, lower than wages'. This is how regional disparities persist, because developed regions display high migration (and persistent high wages and low unemployment) while depressed regions display low migration (and persistent high unemployment and low wages) (Fidrmuc [11], 2004). This is where the concepts of convergence (diminishing disparities) and divergence (increasing disparities) intervene.

2. Economic growth: controversial approaches

Economic growth has always been the controversial subject between the **neoclassical (exogenous) theory of growth** and the **new (endogenous) growth theory**. The former argues that the long-run growth rate is exogenously determined by either the saving rate (the Harrod-Domar model) or the rate of technological progress (the Solow-Swan model), whereas the latter is partisan to an endogenous growth due to the production of new technologies and human capital accumulation. The exogenous growth model has been developed by Solow and Swan in 1956, whilst the endogenous growth model is due to Romer (1986) and Lucas Jr. (1988).

In the neoclassical theory, a higher level of per capita human capital leads to higher productivity and GDP per capita. Convergence is due to diminishing returns to capital and constant returns to scale. Diminishing return to capital implies that the rate of return is negatively related to the stock of capital per head so that, *caeteris paribus*, regions with low amount of capital per head are expected to grow faster (Marques & Soukiazis [16], 1998). Instead,

the new growth theory allows to human capital stock to accumulate in order to affect positively the per capita output growth. It allows for consumption and saving decisions of households, investment decisions of firms and public policy to determine endogenously the long-run growth (Lucas Jr. [14], 1988).

3. Sigma- and beta-convergence

Convergence can be explained by lower-income regions growing faster than higher-income regions, this is poorer regions catching up richer regions, and, as a consequence, regional disparities decreasing. On the contrary, divergence favors regional disparities (Barro et al. [1], 1991, Rey & Montouri [22], 1998, etc.).

In the classical literature, there are two main concepts of convergence:

- ◆ ***sigma-convergence***: when the dispersion of real GDP per capita tends to decrease over time; this convergence can be computed using three main coefficients of inequality (variation, Gini, Theil);
- ◆ ***absolute beta-convergence***: when poor economies grow faster than rich ones, all should converge to one steady state;
- ◆ ***conditional beta-convergence***: when different economies reach their own steady states.

It is possible that two economies converge in the conditional sense (the growth rate of each economy declines as it approaches its own steady state) but not in the absolute sense (the rich economy can grow faster than the poor one if the former is further below its own steady state). The two concepts are the same if a group of economies tend to converge to the same steady state (Barro & Sala-I-Martin [3], 2004).

Although differences in technology, preferences, and institutions exist across regions, these differences are likely to be smaller than those across countries. Firms and households of different regions within a single country tend to have access to similar technologies and have roughly similar tastes and cultures. Furthermore, regions share a common central government and therefore have similar institutional setups and legal systems. This relative homogeneity means that regions are more likely to converge to

similar steady states. Hence, absolute convergence is more likely to apply across regions within countries than across countries (Barro & Sala-I-Martin [2], 1992).

Beta-convergence is a necessary but not a sufficient condition for sigma-convergence, or a negative/positive beta-convergence parameter does not necessarily imply a declining/ascending cross-sectional variance in GDP per capita levels (sigma-convergence) (Martin, 2000). We do not have always both types of convergence because sigma-convergence displays whether the regional distribution of national income shrinks over time or not and beta-convergence displays the mobility of the different regions with the given distribution of national income. Nevertheless, when working with real data, whenever we observe sigma-convergence, we also observe beta-convergence (Sala-I-Martin [23], 1995).

A data series is convergent if σ -convergence decreases and β -convergence turns negative, otherwise the series is divergent.

4. Migration and convergence

Migration is one mechanism that can contribute to convergence. In a neoclassical model that allows for labour mobility, migration of labour with low human capital from poor to rich economies tends to increase the capital-labour ratios and wages in the source economies and to decrease the capital-labour ratios and wages in the economies of destination (Persson [20], 1997).

Introducing migration in the convergence equation raises the problem of labour human capital content, i.e. homogenous labour or heterogeneous labour.

If **labour is homogenous**, *migration enhances convergence* by boosting the capital intensity in regions with net out-migration and reducing it in regions with net in-migration. Instead, if **labour is heterogeneous**, *the impact of migration on convergence is unclear*. In this last case, the final impact of migration depends on which of the following two opposite effects dominates (Friedberg & Hunt [12], 1995):

- ◆ ***quantity effect*** (negative impact): if migrants have the same human capital content, migration is a channel for growth;

- ◆ **composition effect** (positive impact): if migrants do not have the same human capital content, the migration effect on growth could be positive if the average human capital content of migrants is higher than the average human capital of non-migrants.

Exogenous growth theory predicts a negative impact of migration on economic growth because a net gain of migrants increases the labour force and reduces the labour marginal product. This holds when migrants are homogenous in their human capital content. (Proxies for human capital content are the educational attainment, the occupational status or the work experience.) But if migrants are heterogeneous in their human capital content, they can increase the human capital stock in the destination (origin) economies as long as their human capital is higher (lower) than non-migrants' (Etzo [9], 2008).

In the case that migration changes the regional distribution of human capital (labour is heterogeneous), we have the following two cases (Østbye & Westerlung [19], 2007):

- ◆ if migration increases human capital in the depressed regions and decreases it in the developed regions, we call this a **brain gain**;
- ◆ if migration decreases human capital in the depressed regions and increases it in the developed regions, we call this a **brain drain**.

If the brain-drain effect is stronger then migration will impact negatively on economic growth, whilst if the brain-gain effect dominates then migration will impact positively.

Mountfort ([18], 1996) considers that the brain drain could be good for the sending regions because of the possibility to migrate and earn more in another region could be an incentive to acquire human capital and thus strengthen growth. Moreover, Beine et al. ([4], 2001) make the distinction between a first gain effect, due to the increased investment in education in the perspective of a future move, and a second drain effect, when this move becomes effective.

If migrants are more productive than non-migrants, the loss in human capital per head may exceed the gain in physical capital per head and slow down growth. Moreover, if migrants are even more productive than

workers in the destination region, the increase in human capital per head at the destination may dominate the decrease in physical capital per head, thus boosting growth here and generating economic divergence (Østbye & Westerlung [19], 2007).

5. Econometrical testing of convergence

In order to study the economic growth, Barro & Sala-i-Martin (1991, 1992, 2004) followed by many others employed the following two methodologies:

1. A long-run non-linear modelling:

$$\log \left(\frac{gdp_{iT}}{gdp_{it}} \right) / T = \alpha + \frac{(1 - e^{-\beta T})}{T} * \log gdp_{it} + \varepsilon_i \quad (1)$$

where gdp_T, gdp_t = real per capita income (in 2004 prices) in final (T) and initial year (t), gdp_T / gdp_t = the growth rate of real GDP between years t and T, i = individual country/region, T = period of time for which the growth of per capita income is calculated, α = constant term (autonomous or steady-state growth), β = speed of convergence (time invariant).

2. A panel data non-linear modelling:

$$\log \left(\frac{gdp_{it}}{gdp_{i,t-1}} \right) / T = \alpha + \frac{(1 - e^{-\beta T})}{T} * \log gdp_{i,t-1} + \varepsilon_{it} \quad (2)$$

Both models can be estimated using non-linear least squares (NLS) although for the latter we can also apply a dynamic approach (GMM). Long-run NLS regression is useful to study the speed of convergence for a group of economies if the whole group is considered as a single representative economy with a unique steady state. But if economies are heterogeneous the NLS becomes a weak and irrelevant tool to analyse conditional convergence. But we still have the possibility of including "conditioning variables" such as the population growth rate, the saving rate, the level of technology, the rate of capital depreciation or the rate of productivity growth, according to the neoclassical approach. Mankiw et al. ([15], 1992), as well as Barro & Sala-I-Martin ([2], 1992) consider

that introducing these conditioning variables, one controls for different steady states. However, when using regional data, the neoclassical approach suggests not including conditional variables or control for fixed effects. For instance, if β is negative and significant with no conditional variables or fixed effects, we call this absolute beta-convergence. Net migration should speed up the convergence process and β should be smaller when including migration, or in the absence of migration the effect of migration is taken by β (Østbye & Westerlung [19], 2007).

But, even after controlling for steady states, one continues to assume the same production function and, heterogeneity bias can affect the estimates even in presence of the conditioning variables (Islam [13], 1995; Caselli et al. [7], 1996). This is why the former authors consider the panel data methodology as the most appropriate for studying convergence. Its main advantage is the possibility to control for fixed effect of economies, i.e. unobserved structural differences between economies that are time invariant.

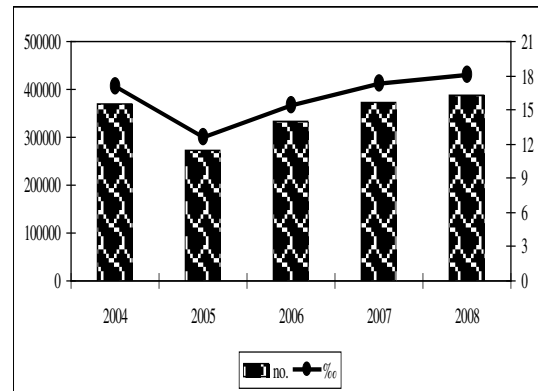
6. Migration and income convergence in Romania at county level

During the interval 2004-2008, Romania witnessed a constant increase in migration from 2006 to 2008, despite a fall in 2005. Therefore, the following absolute (and relative) values were registered: 367 th. (17‰) - 2004, 272 th. (12.6‰) - 2005, 334 th. (15.45‰) - 2006, 374 th. (17.35‰) - 2007, and respectively, 389 th. (18.1‰) - 2008. See figure 1.

Migration rate (gross and/or net) is computed as the ratio of (a) gross/net migration for an area during a specific period to (b) its population in the previous period, multiplied by 1,000.

In the same period, net migration rates by county were within the small range [-3‰, +3‰], except for 5 counties with higher rates.

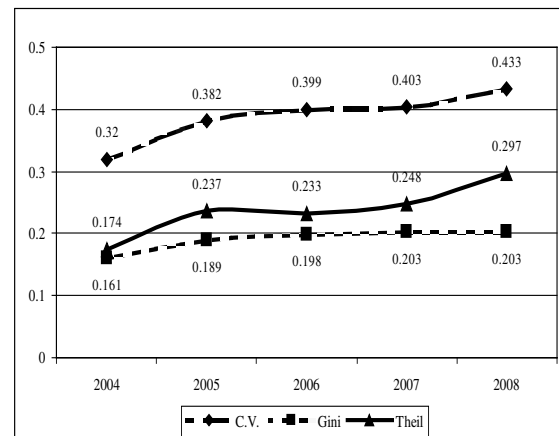
Figure 1. Gross migration
(no. of migrants and rates)



Source: Personal elaboration based on Romanian Statistical Yearbooks data (eds. 2005-2010)

Can this upward trend be explained by increasing differentials in county GDP per capita? According to the ascending evolution of the inequality indexes represented in figure 2 (or sigma-convergence), per capita output at county level did experience a divergence process.

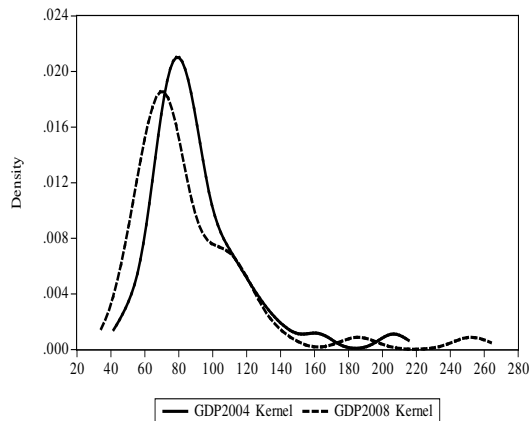
Figure 2. Indexes of inequality



Source: Personal elaboration based on Romanian Statistical Yearbooks data (eds. 2005-2010)

In order to strengthen the conclusion above, I have also computed the **kernel density distribution**, following the rule of Silverman ([24], 1986). The kernel density depicts the changes in per capita income occurred during the period 2004-2008. First, I had to transform GDP values in relative terms (national mean = 100) in order to facilitate comparisons and eliminate the impact of absolute changes over time (Ezcurra & Pascual [10], 2006).

Figure 3. Kernel density for GDP per capita 2004, 2008



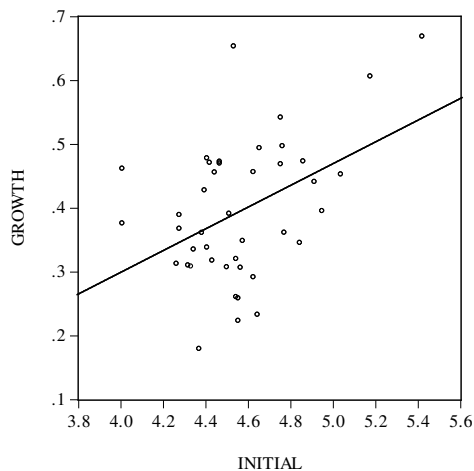
Source: Personal elaboration using Eviews 7

We should interpret figure 3 as follows:

- ◆ the dotted line of GDP2008 is below the continuous line of GDP2004, which means that there are less counties concentrated around the national mean (=100) in 2008 than in 2004, i.e. divergence;
- ◆ the ratio of extreme values increased in 2008, i.e. divergence.

Before presenting the results of the regressions, the next scatter plot depicts an upward line of regression between the growth rate of county income 2004-2008 and its 2004 initial level. Therefore, we should expect a positive beta-convergence.

Figure 4. Scatter plot of divergence



Source: Personal elaboration using Eviews 7

Results of non-linear regressions with migration excluded (all coefficients are robust):

Table 1. Non-linear estimations with no migration

Coefficients	Long-run NLS (1)	Panel NLS (2)	Panel GMM (2)
α	-0.29	-0.083	-0.18
β	0.046	0.011	0.023
R^2	0.16	0.03	-
DW	1.96	1.97	-
AR(1)	-		0.00
AR(2)	-		0.38
Hansen test	-		0.12

Source: Personal elaboration using STATA 9

NB: The Hansen test verifies the validity of the instruments used under the null hypothesis of "instruments as a group are exogenous". Values of AR terms and Hansen test in table 1 are p-values.

When excluding migration, the annual speed of income convergence is within the range [1.1% - 4.6%], although the best value is 2.3%. (GMM technique is suitable when considering models with predetermined or endogenous covariates based on "small time, large cross-section" panels (Blundell & Bond, 1998)).

Results of non-linear regressions with migration included are reported in table 2.

Table 2. Non-linear estimations with migration included

Coefficients	Panel NLS (2)	Panel GMM (2)
α	-0.10	-0.17
β	0.014	0.021
δ (p-value)	-0.0004 (43%)	-0.001 (8%)
R^2	0.03	-
DW	1.99	-
AR(1)		0.00
AR(2)		0.38
Hansen test		0.17

Source: Personal elaboration using STATA 9

After controlling for net migration, which turns out to be insignificant, we obtain convergence speeds of 1.4% and 2.1%, somewhat similar to the previous ones.

7. Conclusions

The main purpose of this paperwork was to determine whether income at county level underwent a convergence or divergence process in Romania during the time period 2004-2008 and, furthermore, to see if net migration had any impact on it. As a consequence, using various methods of estimation, the results have pointed out at a divergence tendency in which migration (ascending but very low) hadn't any contribution.

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Application of Actuarial Modelling in Insurance Industry

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Abstract

In insurance industry, the financial stability of insurance companies represents an issue of vital importance. In order to maintain the financial stability and meet minimum regulatory requirements, actuaries apply actuarial modeling.

Modeling has been at the center of actuarial science and of all the sciences from the beginning of their journey. In insurance industry, actuarial modeling creates a framework that allows actuaries to identify, understand, quantify and manage a wide range of risks, especially actuarial risks.

Actuarial modeling uses as key instruments actuarial models which represent a simplification of a real system, facilitating understanding and prediction of the real system. Therefore, these models are designed to be appropriate with the essential principles of actuarial science. In actuarial modeling progress is marked by breaking existent barriers and developing and incorporating new types of actuarial models.

Key words: actuarial science, actuarial modeling, models, financial risk, insurance companies

J.E.L. classification: C58, G22

1. Introduction

The development of actuarial science in last decades, in combination with fuzzy mathematics used as a robust approach for estimation problems under uncertainty, created a new framework for solving real problems on the basis of integrated, flexible and realistic methodological approaches. At the same time, the range of problems which can be solved effectively was extended, the

nature of these problems being much diversified in terms of their complexity.

Nowadays an important accent is put on the necessity of maintaining the financial stability of insurance companies. Nobody knows exactly if and when an insured risk takes place or which is the certain size of claims the insurer must pay. Nevertheless these unknown variables can be assessed by actuarial modeling, allowing us to make sure that there will be adequate financial resources in order to meet liabilities.

Actuarial modeling has a major importance in insurance industry, currently being expanded in other areas because its core is represented by risk assessment – which is an inherent element of any activity.

2. The evolution of actuarial science

Actuarial science is the discipline that applies mathematical and statistical methods to assess risk in the insurance and finance industries. Actuarial modeling deals with the modeling techniques used by actuaries when trying to assess uncertainty and risk and it is based on core principles. The models used in actuarial modeling are composed of equations that represent the functioning of insurance companies, accounting for the probabilities of the events covered by policies and the costs each event presents to the company. They help companies decide which policies to take and to set premiums based on the projected claims that they will have to pay. These models predict the funds that insurance companies will have to pay out, allowing them to know how much money they have to take in to cover their costs. Therefore they are very important for keeping the companies solvent.

Actuarial science includes a number of interrelating subjects, including probability, mathematics, statistics, finance, economics, financial economics and computer programming. In actuarial modeling, actuaries use behavioral assumptions derived from these subjects to create systems of equations that represent the events that happen in the real world.

Actuarial science became a formal mathematic discipline in the late 17th century with the increased demand for long-term insurance coverage such as burial, life insurance and annuities and with the extraordinary advances in mathematics in Germany, France and England. At the same time, there was a rapidly growing desire and need to place the valuation of risk on a more scientific basis. Initially, actuarial modeling was applied in life insurance, then being successfully extended in general insurance in the early twentieth century.

In the 18th and 19th centuries, computational complexity was limited to manual calculations. The actuaries of that time developed methods to construct easily-used tables, using sophisticated approximations called commutation functions, to facilitate timely, accurate, manual calculations of premiums[1]. Over time, actuarial organizations were founded to support and further both actuaries and actuarial science, and to protect the public interest by ensuring competency and ethical standards[2].

Historically, actuarial science used deterministic models in the construction of tables and premiums. But, as a consequence of the proliferation of high speed computers and the union of stochastic actuarial models with modern financial theory, the actuarial science has gone through revolutionary changes during the last 50 years. Computers made more practical the building of stochastic models explored using simulation, served as real time databases and permitted faster calculations, with less chance of error. Therefore actuaries began to forecast losses and premiums using a framework of random events, instead of the deterministic methods they had been constrained to in the past.

Historically, much of the foundation of actuarial theory predated modern financial theory. In the early twentieth century, actuaries were developing many techniques

that can be found in modern financial theory, but for various historical reasons, these developments did not achieve much recognition[3]. The main issue was that actuarial science concentrated on formulating solutions to insurance problems, without explaining their general nature. Consequently, actuarial science developed along a different path, becoming more reliant on assumptions, as opposed to the arbitrage-free risk-neutral valuation concepts used in modern financial theory. The divergence is not related to the use of historical data and statistical forecasts of losses, but is instead caused by the manner in which traditional actuarial modeling apply market data with those numbers.

Nowadays ideas from financial economics became increasingly influential in actuarial thinking, and actuarial science has started to embrace more sophisticated mathematical modeling of finance.

3. The importance of actuarial modeling

Modeling has been at the center of actuarial science and of all the sciences from the beginning of their journey. Actuarial modeling has evolved from traditional reserving activities in insurance and employee benefits practice to asset management, product and plan design, enterprise risk management and other derived practices.

Actuarial modeling is based on the theory of compound interest that allows the comparison of financial values at different moments in time. The essential concern of actuarial modeling is to find practical solutions with a high level of accuracy, using historical data in order to solve problems regarding uncertain future events. In order to achieve this, actuarial modeling relies on models which represent a simplification of a real system, facilitating understanding and prediction of the real system. Models do not faithfully reflect reality, but highlight how key influences determine the state of the system. Obviously, a good actuarial modeling requires a complete understanding of the system modeled. Not always the best model corresponds with the most accurate model because there is a need to put in

balance cost with benefits; in actuarial modeling cost usually is the key constraint.

The importance of actuarial modeling is highlighted by the fact that the essence and determination principles of technical reserves in insurance are different from other areas of national economy. In insurance companies, technical reserves are created in order to meet liabilities regarding the payment of claims when the insured risk takes place. Therefore these funds, in correlation with other financial indicators, have a great impact on the financial result of the insurer. Furthermore, the insurer's solvency and liquidity ratios depend upon the amount of technical reserves[4].

In insurance industry, actuarial modeling is used by actuaries to identify, understand, quantify and manage a wide range of risks, especially actuarial risks that are inherently contingent in nature and usually have financial implications. The information used to fulfill these tasks includes a variety of recorded observations on many kinds of risks and also the theoretical and practical understanding of how these risks behave. Usually, the actual experience represents the actuary's primary facts which are then processed through a series of hypotheses and assumptions that form together an actuarial model. In the modeling process, various elements are being used, some of them of critical importance such as the choice of assumption and the availability of valid data. In some cases it is possible that proper data it is not available or that the actuary has to apply a specific pre-defined set of assumptions. Thus users of model should evaluate the model outcomes taking into consideration the assumptions applied and the original purpose of the model. In insurance industry, actuaries understand the probabilistic nature of actuarial modeling and take this consequence into account in the decisions they make.

Actuarial modeling's goal is to provide key elements that are useful to the entity in minimizing financial risk, but ultimately the company management is responsible for the final decisions and results.

In actuarial modeling progress is marked by breaking existent barriers and developing and incorporating new types of actuarial models. The actuary needs to be able to model the financial behavior of the company,

estimate the effects of various factors on the overall financial condition and support the company's ability to meet minimum regulatory requirements.

4. Key instruments of actuarial modeling

Actuarial modeling uses as key instruments deterministic or stochastic models which are simplified representations of possible outcomes relative to future contingent events. A contingent event is an event whose occurrence, timing or severity is uncertain. Even though a deterministic model generates an outcome that seems to be predicted with certainty, this certainty is based upon assumptions that are themselves uncertain. Therefore, this type of model has an if-then particularity: if the assumptions made in the model are realized in the real world and if the real world reacts exactly as predicted by the model, then the outcome of a deterministic model will appear.

In actuarial modeling, Bayesian methods are frequently used because they provide a framework which allows the incorporation of prior experience and knowledge of the actuary into the model formulation and estimation. It has been argued that the Bayesian pattern represents the most natural and convenient one to adopt for the implementation and assessment of various models applied in actuarial science, insurance and risk management.

Actuarial models are usually expressed in mathematical terms and are designed to be appropriate with the essential principles of actuarial science. They may contain many elements and frequently are based upon multiple interrelated assumptions regarding various aspects of risks associated with an insurance company. Actuarial models are periodically refined by comparing their results with actual results and making changes in the assumptions or the simulation techniques used. These adjustments are made to improve the model's output in terms of the model's capacity to accurately represent the real world. Nevertheless, actuarial models do not and cannot predict the future with certainty. Different models may be created to simulate the same or future events. Also it is likely that two different models applied with

the same input assumptions will generate outcomes that differ. This kind of different results can only be explained in relation to the specific model that produced them, but it should not be concluded that one model was incorrect and the other more accurate.

In insurance industry, actuaries apply actuarial models for every task performed and may use actuarial modeling differently depending on the circumstances. Actuarial modeling is aimed at managing or mitigating risk, because the elimination of all of the possible risks would involve a major financial cost that becomes restrictive. The selection of an actuarial model is always a matter of professional judgment and actuaries have preferences regarding the manner used to accomplish specific analyses. Thus in some instances, two actuaries could select two different models to perform the same or a similar task. Once the actuarial model is selected, the analysis is conducted and the results are validated and, in addition, sensitivity testing is performed, highlighting to what extent financial results generated by the model will change with modifications in the assumptions employed. Finally, the model's output is compared against emerging experience in order to confirm or adjust the model design. In some instances, actuaries may apply the model to forecast experience for a past period of time in order to assess if the financial results of the model closely reflect reality. Also, an actuary might apply a different model using the same assumptions and data in order to compare the new outcome against the results generated by the first analysis.

Any model used in actuarial modeling needs to be validated. Models derived using classic techniques are usually validated by using a static validation and a dynamic validation. In the case of small sized models more testing may be appropriate in contrast with large models which give assurance that the model will not diverge considerably.

Actuarial models are sensitive to the assumptions used which are based on historical experience. Due to changes in the legal, social and economic environment, historical experience becomes a potentially poor base for previsions of the future events and, even if these changes are taken into account, the modifications made by an actuary represent only a subjective

approximation of the future effect on the experience data. Further, many actuarial models take into consideration factors and influences in the business environment that cannot be easily quantified such as competitive strategies in risk management. These models are usually designed to take into account events that are more likely to occur on average and, therefore do not necessarily model very infrequent catastrophic events for which historical experience has little or no predictable value [5].

As key instruments of actuarial modeling, models are not necessarily different by nature from those applied in other disciplines due to the inter-disciplinary nature of the actuarial science. In theory and practice there are several classifications of models used in actuarial science that enable actuaries to discuss the general principles which should be applied to each category of model.

Between the real system represented and the actuarial model there is a process that reveals how the model is developed from information, theory and the judgment of the actuary involved in the development of the model. The nature of a model may be categorized either by the process by which is developed or by the process of application. Avoiding the specification of the mathematical form, Thompson categorizes models used in actuarial practice as: descriptive models, predictive models, fund models, control models, normative models and decision-making models.

A descriptive model describes historical relationships between the variables modeled while a predictive model predicts future relationships between the variables modeled. A fund model is one that formulates fund values in terms of fund data, the output variables of predictive models and the rules of the fund. In this type of model, a fund incorporates the financial system relating to an individual contract, a set of contracts, an individual agent or a financial institution. A control model is a fund model that formulates an objective variable in terms of predictive models and control variables specified by the decision-maker, revealing the effects of alternative values of the control variables. A normative model expresses the choices of a decision-maker between financially risky expectations in terms of data relating to the

attitude of the decision-maker to wealth and risk. A decision-making model generates the advice to be given by the actuary to the decision-maker corresponding to the decision that would be made by an idealized decision-maker, resulting a decision which is not necessarily prudent, but it is rational[6].

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The Effects of the Economic and Financial Crisis on the Romanian Entrepreneurship

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Abstract

Entrepreneurship constitutes a key element for ensuring the dynamism of the modern market economy. The entrepreneurial activity has the potential to respond the challenges of a changing environment in the global context. The aims of our paper are to present in short the impact of the economic and financial crisis on the Romanian enterprises and to analyse its effects at the regional development level. A set of two hypotheses were tested and validated during our research by using the information provided by the National Trade Register Office. Our research has shown that the crisis has led to the decrease both of the entrepreneurial activity in Romania and of the total turnover of the enterprises in the period 2008-2009.

Key words: entrepreneurship, entrepreneurial activity, economic and financial crisis, Romania

J.E.L. classification: M1, M19

1. Introduction

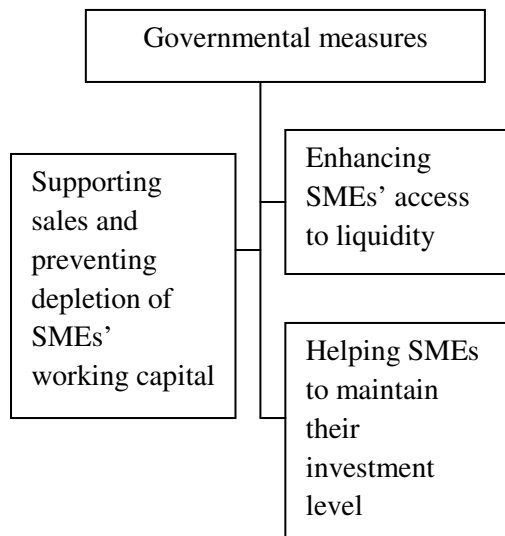
Since the end of 2007 and the beginning of 2008 the world has faced the economic and financial crisis at a rapid pace. After a decade of good global growth the crisis occurred and both advanced economies, and developing and emerging economies have been affected.

The problems appeared when mortgage defaults started rising, foreclosures on houses spread rapidly, and short-term interest rates increased [4]. In the first trimester of 2007, the New Century Financial Corporation

located in the United States of America (USA) ceased to issue subprime mortgages. In September 2008, the US Treasury nationalized Fannie Mae and Freddie Mac, two of the biggest mortgage lenders, and the famous Lehman Brothers bank declared bankruptcy. In the same time the oil price significantly increased and consequently the food prices did the same. Declining stock markets, deflation of the house price bubble, losses in consumer confidence, and global trade contraction were among the main issues that contributed to the propagation of the crisis all over the world. Therefore all geographical regions of the world were more or less affected by the economic and financial crisis which became a global phenomenon.

In the last decades the entrepreneurial orientation has emerged as a major theme in the business literature [9]. Entrepreneurship constitutes a key element for ensuring the dynamism of the modern market economy. The entrepreneurial activity has the potential to respond the challenges of a changing environment in the global context [8]. As credit matter for entrepreneurship, the overall contraction of financial markets led not only to a reduction in new firm start-ups and of the growth rate, but also to the increase of the firm failure. The higher credit costs made more difficult the access of companies, especially small and medium-sized enterprises (SMEs), to the international markets [1]. The tightening in credit terms has been accompanied by a drastic drop in demand for goods and services. In order to support the entrepreneurial activity during the crisis governments have responded generally by a mix of measures (Figure 1).

Figure 1. Governmental measures for supporting the SMEs



Source: [6]

In spite of the fact that many governments around the world are faced with the challenges of reviving their economies, they can consider entrepreneurship as an important economic stimulus [2]. Policy makers and international organisations are recognising the importance of entrepreneurial activity and are making general statements about their commitment to improving the entrepreneurial environment [5]. This is why policy makers of many countries took steps in the past years to make it easier for local entrepreneurs to start up and operate on the market [11].

In Romania entrepreneurship has become a key element both of the development of a market economy and of the revitalisation process of a lagging geographical area after 1989 [3]. The effects of the economic and financial crisis on the Romanian entrepreneurship have been negative, but they were not felt the same throughout the country [10].

Starting from the above discussion, two interconnected questions arise for which we do not have yet an exact situation of the effects of the economic and financial crisis on entrepreneurship in Romania. These are as follows:

- (1) How did the first year of economic crisis reflect on the Romanian entrepreneurship?
- (2) What was the impact on the turnover of companies in Romania in terms of

geographical layout of the company headquarters?

In order to obtain information on these questions, a methodological approach was used based on the statistical data existent within the National Trade Register Office (NTRO) in 2008 and 2009 [7]. Starting with 2010 companies have submitted their audit to Ministry of Public Finance (MPF). However, MPF does not have a specialized department for providing statistical data on the economic activity of companies and only exact information is possible and not some statistical aggregation at municipal level, county, development region.

The aims of our paper are to present in short the impact of the economic and financial crisis on the Romanian companies and to analyse its effects at the regional development level. A set of two hypotheses were tested during our research by using the information provided by the NTRO. The second chapter of the paper deals with the research methodology. The results of our research are analysed and explained in the third chapter. This is followed by the final conclusions.

2. Research Methodology

On the above mentioned objectives of the paper the authors developed a set of two hypotheses as follows:

- a. The lower is the development level of a country the higher are the effects of the crisis on the entrepreneurship in that country.
- b. The lower is the development level of a region within a country the higher are the effects of the crisis on the decrease in the relative size of the turnover.

In carrying out the research we performed a statistical analysis of data on the dynamics of entrepreneurship in recent years from the major international economic publications and we processed the existing information in NTRO. The second level of analysis on the situation in Romania was the turnover reported by the Romanian companies at the end of the year.

For the general situation of the business environment in Romania a request has been submitted to NTRO in reference to the turnover of the local companies. Subsequently the data were aggregated at the

level of the development region. Information obtained was processed using Excel.

3. Entrepreneurial activity at national and regional level

For the first question on the impact of the first year of crisis on Romanian entrepreneurship, we shall answer by analysing the NTRO data on the situation of companies that have filed their audit for 2008 and 2009. We noticed from the general overview the impact of the crisis on entrepreneurship and the data we are about to analyse will seek to test the hypothesis advanced on the situation in Romania. In 2008, 661702 companies were registered at NTRO at the national level and in 2009 only 626557 companies remained. Thus, there was a 5.3% decrease of the number of companies and of the entrepreneurial activity within the national economy (Table 1).

One of the explanations for reducing the number of companies is represented by the implementation from the second quarter of 2009 of the flat tax which led to suspension of a significant number of micro and small companies.

Table 1. Number of companies in Romania and their weight per 1000 inhabitants in 2008 and 2009

Year	Number of companies at the national level	Number of companies per 1000 inhabitants
2008	661702	30.8
2009	626557	29.2
2009/2008	94.7	94.7

Source: [7]

On the number of business indicator per 1000 inhabitants we are reserved in reference to the population in 2009; the size of external migration is measured quite imprecise in Romania and it continued in 2009 which could affect the reporting of the number of business indicator per 1,000 inhabitants.

The second plan of testing the first hypothesis aims at the turnover reported by the Romanian companies (Table 2).

Table 2. Dynamics of turnover per year at national level (RON)

Year	Total turnover of companies at national level
2008	1064284399369
2009	1009663334197
2009/2008	94.9

Source: [7]

These percentage weights should be considered also in the context in which the Harmonised Index of Consumer Prices (HICP) which in January 2009 compared to January 2008 was 7.9% and in January 2010 compared to January 2009 was 5.4%. Also in 2008 the inflation rate was 6.3% and in 2009 was 4.74% (the largest in the European Union).

Therefore, we conclude that the first year of economic crisis in Romania has led to reducing the number of companies that have submitted their audit by 5.3% and their turnover by 5.1%, which confirms the advanced hypothesis on the reduced effect of the economic crisis on the Romanian entrepreneurship in 2009.

In order to test the second hypothesis we present data on the regional entrepreneurship dynamics in the Romanian economic field. The analysis was performed both from the point of view of the number of companies that have submitted their audit, as well as their reported turnover.

From the point of view of the weights occupied by each development region and the number of registered companies, we ascertain changes in 2009 compared to 2008. Thus, by the total number of companies, the Bucharest-Ilfov region increased its percentage weight by 0.9% in the total companies nationwide and the South Muntenia, South-West Oltenia and West remained with the same weight in 2009 compared to 2008 (Table 3).

Table 3. Relative distribution of the total number of companies by year and development regions

Development region	Percentage of national number of companies in 2008 (%)	Percentage of national number of companies in 2009 (%)
Bucharest - Ilfov	23.6	24.5
Centre	12.4	12.2
North-East	10.9	10.6
North -West	14.3	14.1
South Muntenia	12.3	12.3
South-East	9.8	9.8
South-West Oltenia	7.3	7.2
West	9.4	9.4
Total companies (%)	100	100
Total companies in Romania	661702	626557

Source: [7]

Significant differences emerging to validate our second hypothesis are observed in the dynamics of turnover. Regional differences have been registered in terms of turnover dynamics in 2008 and 2009. Thus, Bucharest-Ilfov region has increased its economic weight at the national level- almost half of the turnover- and South Muntenia region has owned the tenth part of the total turnover.

The explanation of the special weight of the Bucharest-Ilfov region lies in the fact that all big companies have their headquarters in the capital or Ilfov County. The two regions of the Carpathian arc (Centre and North-West) have each about 9.2% of all businesses nationwide. Centre region seems to record a consolidation of the economic position during the current crisis (Table 4).

Table 4. Relative distribution of the volume of turnover on development regions

Development region	Percentage of national turnover in 2008 (%)	Percentage of national turnover in 2009 (%)
Bucharest - Ilfov	46.7	49.2
Centre	9.2	10.2
North-East	5.8	5.4
North -West	9.1	8.5
South Muntenia	10.5	10.0
South-East	7.5	6.6
South-West Oltenia	4.8	4.3
West	6.4	5.9
Total turnover (%)	100.0	100.0
Total turnover (RON)	1064284399 369	1009663334 197

Source: [7]

4. Conclusions

In today's turbulent economic environment, one of the most important issue governments, business associations, and civic organizations have to deal with is to encourage the entrepreneurial activity. Promoting and stimulating entrepreneurship constitutes a valuable tool in order to face the challenges of the economic and financial crisis.

As in other countries, the crisis has produced negative effects on businesses and entrepreneurship in Romania. Our research has validated the set of two hypotheses. Firstly, the number of enterprises has decreased in the period 2008-2009. Secondly, as a consequence, the total turnover of the companies decreased in the same period. However, from of the point of view of the entrepreneurial activity there are significant differences among the Romanian development region and the effects of the crisis were not the same in these regions.

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Corruption - between Myth and Reality

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Abstract

In the actual context of Romanian society's development, the prevention and fighting against corruption represent a priority for all responsible forces, being them a part of state's, institutional framework or of the civil society.

Without any doubts, the adhesion to NATO and integration to EU have meant sustained efforts done in the matter, and the adhesion to Schengen Space together with the real necessity of consolidating our country's communitary status must be continued and identified.

Key words: state, organized crime, control, prevention, corruption.

J.E.L. classification: K42

1. Introduction

The evolution progress of the criminal phenomenon over the previous years and the sustained efforts done by the institutions and civil society to deal with in a coherent and effective manner impose the accomplishment of a new national strategy of preventing criminality.

This fact is fully possible due to a rich theoretical basis within this field: Romanian laws, programmes and European Council and UNO's recommendations, strategies recently elaborated in other countries.

2. Corruption. Analysis and tendencies

New contemporary evolutions demonstrate criminality's threat for social development, citizens' right for a secure living and, as a consequence, the elaboration of a long term strategy to avoid going towards a terrorized society.

Everywhere in the world, the official statistics show important increase of criminality as well as greater efforts to deal with, both at national and communitar layer. Although police is an essential force in preventing and fighting against criminality, citizens and communities are becoming more and more visible in the complex field of social order and increase of life's quality. Reveling criminal phenomenon's causes can be achieved only through a research which analyzes all aspects of this particular phenomenon.

Some investigations of social, psychological, legal, psychiatric, biological, anthropological character are necessary.

Organized criminality as well as corruption are omnipresent phenomena that can be found in different countries from the economic and social development's point of view.

Although certain societies are more vulnerable than others, and can suffer more from the devastating effects of organized criminality and corruption, still, no country in the world is immune to its destructive influence. The spread and rapid evolution of organized criminality and corruption are connected to the evolution progress of the entire economic and social framework, being an indirect reflection of its malfunctioning and shortcoming.

Programmes against organized criminality and corruption are mainly based on two elements. The first element refers to the accomplishment of economic, social, financial and administrative reform which can obviously reduce the conditions that encourage organized criminality as well as corruption. The second element consists of reinforcing the institutions which inform public opinion on corrupt behavior and its costs, such as media, Parliament, monitoring agencies and judicial institutions. On economic layer, the reforms impose economic reorganization and the acceleration of privatization process, balancing costs and

stability of our national coin, reducing inflation and unemployment, raising living standard and improving technological industry.

The fight against organized criminality and corruption can't be successful without public help. If common citizens and firms are accustomed to bribe and pay for public services, considering bribe a "necessary evil", a change in mentality is somehow essential before any systematic reform of fighting against corruption.

The civil society's role is an important element within a system of reinforcing national integrity. The state cannot perform its activities unless there is some citizens' support. Civil society provides necessary network for dealing with common interest issues, amongst which, corruption. It is, therefore, in the benefit of citizens to get involved, as most of fraud and corruption cases take place within the Government and private sector. Civil society is the main victim. Civil society can get involved in fighting against organized criminality and corruption, based on ONG, accountants, lawyers, professors, private field and common people. All these elements must lead to a strengthened link between people and police, prosecutors and justice. Strategic analyses, both tactical and relational maps concerning groups and national networks, together with the transnational ones, given at the prosecutors' disposal, allow them to turn the data and information into evidence in order to be administrated in the criminal trial.

The Public Ministry's specialized departments cooperate with similar structures from foreign countries as well as with international bodies holding responsibility in organized criminality fields, such as Eurojust, Europol, SECI Centre and Interpol. The main tendencies in the criminal phenomenon- in its components which represent the biggest threat for society- are: organization, modernization and internationalization.

At present, the majority of the solved files by prosecutors and judges involve oil business, forest industry, wood material, alcohol, tobacco, illegal privatization, financial engineering, bankrupt, money laundering, human trafficking, drug dealing and precursor.

If in the transition period, low corruption cases have been analyzed, in the past three years the accent was set on high corruption met at the highest level of political and economic life. The truth is that it hasn't been an internal initiative but an imposed obligation to become a member of the UE.

The control over corruption demands a series of measures meant to punish the crimes against corruption so that it can limit or even prevent their spread.

The essential condition for the elaboration and implementation the measures of preventing and control on corruption represent a political will which points at this aim, together with creating a specialized structure in the fight against corruption. Therefore, the most important measure to be taken for control on corruption is modifying and completing the legislation so that it includes a real definition of corruption, all forms of corruption and, nevertheless, more severe punishments for corruption crimes.

Due to the incomplete legislation, few from the accused of corruption deeds are finally convicted, and, anyway, the convicted get a minor conviction.

Moreover, the opportunities of committing corruption deeds must be limited: politicians mustn't be businessmen; birocracy must be lowered, public services quality and promptitude should be improved, positive examples of important social personalities must be promoted.

Another measure for control on corruption is adopting a more severe attitude of public opinion and media as well as public judgment of corruption deeds, so that the entire society could have a real representation on the consequences of the phenomenon. A political measure is to suspend parliamentary immunity in corruption cases, so that political rulers should submit to the exactly same laws and receive the same punishment as common people.

The standard of living should be raised by salary raise, lowering the unemployment so that people's need of raising wages should not exist any longer. Unfortunately, in Romania, there is no appropriate education on morality and it favors illegal acts which lead to corruption. This is the reason why special programmes must be included in schools and media in order to teach and inform the public on the specificity, forms

and consequences of corruption. The public administration staff might respect their professional deontology, politicians might declare their incomes correctly, people might stop offering gifts to doctors, and even the Romanian society's morality might improve.

3. Conclusions

Paying attention to the criminal policy in the analyzed field, the setting off general and particular aspects of national and international criminality, we consider it important to take into consideration the following measures which can play an important role in improving the actions against national criminality.

- Immediate framing of international standards in punishing corruption, organized crime and money laundering. On its behalf, attention must be paid on hardened punishments, on aligning national legislation to the European one.
- Creating a powerful interdepartmental body, including police officers, financial specialists, prosecutors with an unlimited controlling right and possibilities of establishing order in the matter.
- Perfecting the judicial system of preventing, discovering and fighting against international acts.
- Making a tough financial legislation able to stop different phenomena as: fraud and money laundering,
- Creating and re-enforcing anti-mob units within Police.
- Selecting and training police and justice to fight against criminal organizations.
- Enacting, by Romanian Government, an efficient policy in social, economic and environmental field.

It would, however, represent a naivety to believe that these measures might eradicate or stop corruption. They can only keep them under control and prevent the so-called dangerous phenomenon.

Corruption has always been and it always be present; it's up to us to limit and adopt the necessary measures to keep it under real control.

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Bank Capital and the Functions Performed by It

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Abstract

The current economic circumstances bring in discussion the question of financial stability through the recapitalisation of banks. The capital is the most important concept in banking matters. To determine the level of capitalization of the banks must first define bank capital. The present paper therefore focuses on understanding the concept of banking capital and of the functions performed by it.

Key words: bank capital, function of bank capital

J.E.L. classification: G21

1. The concept of bank capital

The concept of bank capital has received special attention in the economic literature being addressed in a variety of ways. Therefore, taking as example the theoretical point of view, the specialized literature distinguishes between regulatory capital and economic capital, offering a range of analyses with the prospect of implementing the Basel II Accord.

The regulatory capital is determined according to the rules and methodology of the banking regulatory authority and regards the structure of the bank capital, its minimum value and issuing means and also its adequacy. On the other hand, the concept of economic capital has known several definitions. Thus, the economic capital can be defined as the amount of capital that a bank believes is necessary to have in order to cover various risks arising from banking activity.

According to Burns – the head of the Office of Analysis and Support within the Division of Supervision and Consumer Protection of the FDIC - U.S., the economic

capital is based on a probabilistic assessment of future potential losses and is therefore a potentially more forward-looking measure of capital adequacy than the traditional accounting measures [2]. Saita defines economic capital as an internal assessment of capital necessary for carrying out the activities developed by the bank [9]. In another approach, the economic capital is defined as the level of capital that shareholders would choose in the absence of capital regulation [5].

All these definitions try to capture the essence of the economic capital.

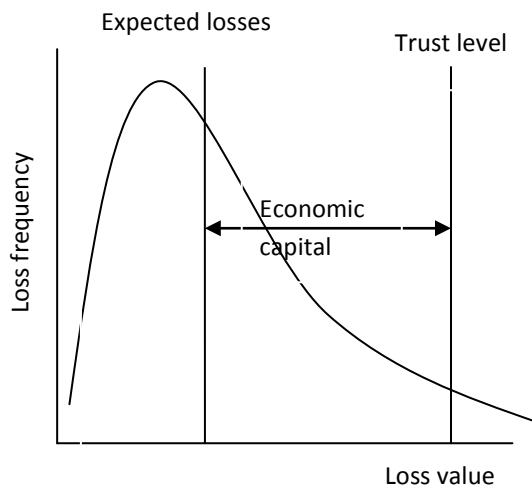
In practice, the economic capital required differs from the regulatory one, because every bank constitutes its own level of economic capital based on its risk profile but also on its experience in risk management.

While the regulatory capital covers only credit risk, the market risk and the operational risk, the banks include in the economic capital all the risk factors which a bank could be facing during its activity, and which are not to be found in the regulatory capital (liquidity risk, bank strategy risk, etc.).

For example, the levels of protection capitalized on by a banking institution during its activity can be graphically represented as chart number 1.

According to this representation, the first level of protection to cover losses arising from banking activities is usually provided by the profits made during that year and the by the risk provisions that were developed. If these are insufficient, the bank will also fall back on the funds constituted for this purpose (based on general risk reserves). They represent envisioned and expected losses, and form an assumed cost to ensure the safety of the depositors.

Chart number 1. Economic capital



Source: Burns, R., (2004), *Economic Capital and the Assessment of Capital Adequacy*, page 6.

The next level of protection is provided by the volume of capital that the bank has at its disposal. In consequence, when unexpected losses occur above the normal average level registered, they are borne by the capital representing the shareholders' intake. Therefore, the economic capital is used only to cover unexpected losses, up to a certain level of trust, being estimated as the difference between the capital adequate to the chosen confidence interval and the estimated expected loss.

The maximum loss limit incurred by the bank is given by the variable VaR (Value at Risk) which measures the maximum loss likely to be obtained on a portfolio, in a given period of time, for a given confidence level. Thus, the losses that normally cannot be provided by the bank and for which no level of protection has been established are the losses which exceed the VaR limit. In this case, the bank becomes insolvent, the capital level being insufficient to pay its debts.

In an attempt to define bank capital we also meet the following concepts: capital defined from the viewpoint of accounting as well as the notion of market capitalization. From an accounting perspective, the capital represents the shareholders' right to the assets of a legal person, after deducting all liabilities.

On the other hand, the market capitalization represents the value of the bank on the stock market at current market prices.

In other words, the market capitalization is an estimation of the value of the bank on the market, determined by many factors such as the perception of the business developed, the position on the market, business prospects, etc.

Understanding the two concepts is of particular importance. Thus, the market value expressed through the price of the shares depends on the amount of dividends paid by the bank, i.e., the profitability of the bank's own capital. If it is considerable, the banks gain trust and therefore can collect funds, which means that they can increase the capital by attracting new shareholders. If the market value of the shares is low or declining, the bank's actions do not present interest even if the book value of capital is high.

Thus the market value of the capital is independent of the book value irrespective of whether this value is large or small.

In practice, a bank operates with all these different notions of capital as well as with different constraints on it, which must be met simultaneously.

2. Function of bank capital

In a banking institution, every aspect of its activity is closely correlated with the availability of the bank capital. This is because the bank capital plays an especially important protective role, both in terms of the depositors, the shareholders of financial institutions and their creditors.

The depositors and creditors of the bank must be convinced that their bank deposits and assets are safe. As the chart number 1 shows, the capital acts as a support to absorb loan losses as well as other unforeseen operational losses, protecting them against the risk of insolvency and bankruptcy of the bank.

In order to guarantee repayment of deposits in banks, the Deposit Guarantee Fund in the Banking System has been established. This occurred as a result of the shock felt by the banking system following the difficulties faced by some banks when they had to face massive withdrawals of deposits.

In Romania, the Deposit Guarantee Fund in the Banking System was established in 1996. It is financed through an administrative

fee of 1% of the banks' capital, annual contributions from banks and assets of insolvent credit [10] institutions, in order to protect depositors in case of bankruptcy of banks.

Through the Directive 2009/14/EC of the European Parliament and of the Council from 11 March 2009 on the granting of compensations to victims through the measures implemented in the course of special administration of credit institutions, it was decided to set the coverage level to EUR 100,000. The same level of the coverage is being applied in Romania as well from 1 January 2011.

On the other hand, some studies have shown that in banks shareholders expect a certain productivity of their own capitals having strong interests in the risks taken by the bank, while the depositors depend on the bank's risk strategy [7]. Thus, different parts, with special interest in the functioning of the bank, may hold contradictory opinions as to the size, the importance and the functions of social capital [3].

In this context, the nature and structure of the bank shareholders gains importance. It must be able to ensure the integral capital as well as to provide a higher level of capital when necessary. During its activity, the bank generates capital from the undistributed profits allocated to shareholders in this regard, the capital increase being an additional source of financing of the asset. In the case in which it needs more capital than it can generate through its activity, the bank may issue new shares or take a subordinated loan. This highlights the role played by the bank shareholders.

Even if the adequate level of capital raises conflicts between the bank's shareholders and its clients, all parties have a common goal, namely to see the bank as a stable and profitable institution. This is ensured by confidence in the bank. Without this trust, the market would sanction the bank, the latter not being able to attract deposits from savers.

Thus, the balance of the banking resources in the bank's resources reflects both the confidence of the depositors in the institution, and the degree of safety of the deposited funds, as well as the appropriate level of remuneration, under the form of the discounted interest rate [4].

On the other hand, on the interbank market, other banks could reduce or close their lines of funding. In this context, the capital market also perceives the behavior of highly indebted banks by minimizing the rate of shares of banking companies [1]. Thus, confidence is important for shareholders; it represents an incentive to increase the bank's share price and therefore to obtain additional capital.

Another obvious function of the bank capital is the source of funds necessary to create conditions for conducting business. Thus, it consists in allocating resources in view of purchasing the assets necessary at the establishment of the bank, which is being used subsequently to ensure its functioning. Basically, it is not the depositors who must be the suppliers of funds to open a banking institution and to ensure the equipment associated with its functioning.

Furthermore, the capital fulfills a regulatory function, referring to the ability of authorities to set requirements concerning the size of the bank's capital, serving as a limit imposed in view of the growth of assets in connection with the assumed risks.

This function is designed to limit the bank's exposure by limiting the growth of its debts and improving the quality of the bank's assets. Consequently, the availability of the bank capital determines the maximum level of assets, which is determined by the capital adequacy index.

In some studies with regard to the capital level, a number of analysts attribute the failures to poor management, claiming that well-managed banks should be allowed to operate with lower capital in relation to assets, showing that they do not present a greater tendency to insolvency for the banks with a higher capital in relation to assets. In contrast, other researchers attribute failures to liquidity problems, ignoring the capital [8].

However, the essential function of the capital remains that of ensuring the partners of the stability of the bank. The capital serves as a "safety net" for the risks that a bank is exposed to and for this reason, its size and structure are essential elements in determining the risk profile of the banking company.

Therefore, a bank's capital must have three important characteristics; it

- must be permanent;
- must not generate mandatory fixed charges;
- must allow legal subordination in regard to the rights of the depositors and of other creditors [6].

3. Conclusion

The importance of capital has become one of the key concepts of the banking system. This is why I think understanding the concept of bank capital required and the functions performed by him. These fundamental changes going on in the future will be made regarding bank capital as a result of future developments required by the current economic climate and the provisions of the new Basel 3.

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The Crisis Situations in the Forestry Domain - Beyond the Appearances

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Abstract

The problematic situations in the forestry domain become an important preoccupation for a bigger and bigger number of persons and have a significant impact on the accountant job and on the activity of the internal audit. In this case, the difficulty stands in the difficulty and in the particularization of the of the essence of the forestry activities and finding some possible solutions for fighting against the dangerous moments which can be in this domain. For the beginning, we underlined the possible contribution of the accountancy in the settlement of these contexts, continuing with the identification of the value plus added by the internal audit for the over passing and even avoiding some situations of this type. Another reminded aspect is that one concerning the showing of the way in which the internal auditors can involve in the managing of the forestry resources so that it should not reach in difficult situations.

Key words: crisis, forestry area, internal audit, the accountant job.

J.E.L. classification: M 40, M41.

1. Introduction

The aspects connected to forestry area become important for a bigger and bigger number of entities, researchers and can have a significant impact on the economical operations developed in this area. Any entity must develop its activities following an easy way decipherable and the efficient management of the resources, places a tension on the accountancy which through its specify, must point out at least a part of the hypostasis of the entities activity.

Thus, we have to mention that at the level of the autonomous administrations from the forestry area there are some accountancy leakage which causes meaningful problems

to the professionals accountants. The result of the financial decisions concerning the management of the forestry resources taken by the different persons which have at its base the precision of the accountancy information face the situation in which certain information proved to be not according with the economical events at its base being generated by the situation in which they are misunderstood. In these negative surroundings, the result of the applied decisions will be in most of the cases away of the wanted level.

Because of this reason, appeared the necessity of introducing the compartment of the internal audit which should add the value of the entity by the effectuated recommendations. In this way, the adopted decisions will be better fundamental, analysed, studied and thus it cannot be reached but to results closer to the aim and the autonomous administrations from the forestry domain.

2. The motivation of the researched theme

The motivation of this theme finds itself in the desire of finding certain solutions in solving some practical problems with which the forestry domain faces itself, a research domain little exploited and debated in the specialty literature, but with an incomparable importance for the society. The research starts from some aspects of conceptual and methodological nature from the forestry area continuing with the reflection at the modalities of passing from the theoretical views to the practical accomplishments. On the other hand, the motivation of studying the forestry domain starts from the realizing of a cruel reality concerning the great deforestations of wood comparing with the accomplishment of investments for the forestation and the protection of the forestry elements. Without having the pretension of a complete research of the forestry domain

from the economical- financial point of view, the effectuated research try to bring into discussion some of the problems or difficulties found in the development of the activity in this domain.

The scientifically approach fundamentals it self on the chosen information from the specialty literature, using research methods as documentation, comparison, analysis, synthesis, specific methods to the framing in the positivism from the epistemological positioning point of view.

3. The correlation of the key concepts

According to the explicative dictionary of the Romanian language, the word- crisis is taken in Romanian language from Latin, by the French *crise*, having the following significations: 1) The manifesting of some difficulties (economical, political, social etc.); a period of tension, torment, attempts(often decisive) which manifest in society. The acute lake of....2. A critical, rising moment in the evolution which precedes the healing or aggravation of a disease; the sudden appearance of a disease or the appearance of a sudden access in a chronically disease...b) The dangerous and deciding phase in the social life, consisting in a violent manifestation of the economical, political and social contradiction. 2) A critical moment in the evolution of a disease, after which it follows the change in good or bad.

This complex concept is a lot debated in the specialty literature by diverse authors, each of them treating different aspects from different domains.

The crisis situations find themselves at almost any level, any area of activity, during the time. These moments of tension are inherent to the social existence, the existence of the entities etc. because of the perfect development of some activities is an ideal, and, besides this, the past shows that ‘During a crisis period the inventions, discoveries and the great strategies are born.’ ”(A. Einstein).

If we refer to the economical- financial crisis at the worldly level, it is concluded that there is a component on the way of „the integrisim of the markets, and the crisis of the worldly capitalism, which the author George Soros foresaw, ten years ago” (Mășu Ștefan et.al.) Pierre Leconte, the fonder of the

„Monetary Forum at Geneva for peace and development”, an expert in the monetary theory and practice, remarks himself through the special radicalism of his conclusion, which only the future, even on short terms, will confirm or deny it: „the monetary politics are those which create crisis...”

Robert Mundell, the Nobel prize for economy, accomplished „the triangle of the incompatibility” according to which a monetary international system cannot gather, simultenously, the three features: the autonomy of the international monetary politics, changing fixed rates and the international liberty of the capitals, but only two of them, till present having tried without result the combining of the first and the last features.

Thus, all these characteristics and events on the worldly level, did not avoid the forestry domain, which besides the counteraction of the worldly crisis still has to overcome another so- called internal crisis of the area, manifested through the loss of control of the great deforestations of wood what dues to the lack of rapidity in taking some measures in this way.

According to the law no.46/2008, concerning the forestry area, it represents the assembly of preoccupations and actions concerning the knowing of the forest, the creation and taking care of this, the getting and rational valuing of its products, the primary working of wood, as the organizing and the leading of the entire process of management.

The term „wood” includes: the forests from the forestry management plans at 1st January 1990, as those included previously in these according to the laws; the wooden curtain of protection, juniper trees, the wooden pastures with a bigger or equal consistency with 0,4 ha, calculated only for the surface occupied effectively by the forestry vegetation.

In these contexts, the accountant professionals through their developed activities may bring a valuable contribution for the anticipation, fighting and improving the crisis situations from the forestry domain. This happens more in the situations in which the professional accountants may signal wrong directions in the exploring of the woods (and other

elements concerning the forestry fund) as concerning the best management of the available resources during the worldly economical- financial crisis, and not only.

The professionalism of the internal audit is art and the manner of emitting a value judgment on the used instruments and techniques, as: rules, procedures, instructions, informatics systems, organizing types etc., which represent the assembly of the control activities used by the manager of the institution or the responsible for a job, recognized by the specialists as the internal control.

4. The contribution of the accountancy and of the internal audit at the counteraction of the crisis situations.

The problems of the forestry domains should be seen as being a part of the essence of the lasting development of a country. That is why one of the problems of the national development is the interrelation of the forestry domain and of the medium in general with the economical situation of the country, found in the connection of the necessities at the investments „possibilities from each country. Thus, we have to notice that there is a close correlation between the poor and its destructive effects on the medium. To this aspect it is added the strong impact of the financial crisis” (A. Popa, L.G. Vasilescu).

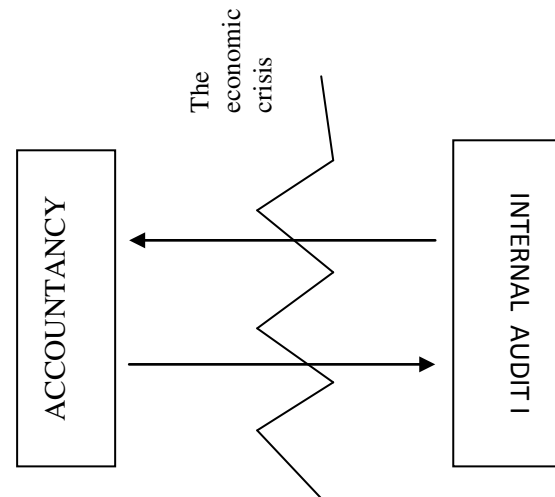
In this way a fundamental preoccupation of the third millennium would concretise in three directions: deforestations, poverty and water. A significant contribution to the dissemination of its causes could be a better management of the resources by a lively collaboration between the accountancy activity and that of the internal audit. (Fig.1).

As a consequence, just as it is underlined through his affirmation A. Einstein, in these difficult situations should be significantly improved the modalities of collaboration between the two compartments so that the value added to the entity, sector, domain and the economy in an assembly to be one which tends to efficiency and progress .

In 2009, the most often met way of exertion of the internal audit activity was that one accomplished through the contracts of

the carrying out services.(at 493 local public entities). In the same time, to 127 public local entities, the internal audit exerted itself through labour contracts of partial duration, without existing a distinct compartment of the internal audit.

Figure 1 The influence of the economical crisis on the internal audit sector and accountancy



According to the methodological norms specific to the RNP-ROMSILVA and the unities from its structure concerning the internal audit activity elaborated during 2011, the internal audit represents in the National Administration of the Wood- ROMSILVA (RNP- ROMSILVA), as in all the forestry directions PNN/ICAS/ other sub unities, an activity functional independent and objective, which gives assurances and counselling to the leading staff for the good administration of the incomes and public and private costs of the administration, as of the allocated funds for the specific activities, no matter the financing source, making at the same time recommends concerning the perfection of the RNP – ROMSILVA activities.

It also helps RNP- ROMSILVA to fulfil its objectives through a systematic and methodical approach, evaluating and improving the efficiency and effectiveness of the leading system based on the management of the risk, of the control and of the administration processes.

The recommendations of the internal auditors will try to improve firstly the way of managing of the resources extremely limited

and searched in the forestry domain, succeeding in reflecting the good or bad management of the forestry fund, the causes of the abusive deforestation, the ones which are against the forestry domain, to reflect the deficiency of the management of the activity in the forestry domain and to present optimising solutions of the resources management.

On the second place, the internal audit follows the good functioning of the activities in the districts' compartments, of the districts belonging to the RNP-ROMSILVA.

On the other hand, a dilemma will be the establishment of a value of an information given by the internal audit and the accountancy, which in some authors' opinion can be defined through the difference resulted from the net benefit, generated by the taking of a solution after the getting of an information, not being affected by the information. (Dutescu, 2000).

Debates on the economical information will be a problem because this represents the main source used by the decisive factors from the autonomous administrations from the forestry domain, which offers the possibility of the „critical examination of the way of human and natural goods' use, concerning the taking of decisions which impose themselves" (Pop, 2002).

The forestry entities no matter of the developed activities „must frame in the general rules of an open democratic entity. Or, one of the most important rules of democracy is transparency. Transparency concerns the development of an activity „at the day light" or openly. The forestry entity has to furnish financial- accountancy information concerning the way of development with the aim of permitting the control in the forestry entities on the actives, debts, incomes, costs etc. (N.Todea, I. Călean).

The distinction between the valuable information and the useless ones is crucial, the accountant job has to deal with the furnishing of the adequate information so as not to become an area of vain research. (S.C. Deaconu).

A common difficulty of the autonomous administrations from the forestry domain concerning the informational system which stand sat the basis of the taking of decisions towards an economy in which the market

relations must function.

In this way, there are to be mentioned: the limited capacities of the public and private institutions from the forestry sector, deficiencies of the low and fiscal system which do not facilitate the activities from this sector, the imposed limitations by an unperformed economical medium, the lake of the public financing for the investment projects. Other difficulties are connected to: the lack of uniformity of the national network of forestry roads; the advanced degradation of some big surfaces from lacking forests areas; the negative effects which appeared as a consequence of the reconstituting the right of property on woods, because the action was not prepared in a corresponding way.

Concerning the removal of the mentioned difficulties, besides the effectuation and continuous improvement of the strategy concerning the lasting management of the woods, some improvement measures of the forestry Code were taken, the base law of the woods administration, as of the other law documents concerning the forestry sector. It is taken into account that in the future, the public sector will have, mostly, attributions concerning the formulation and implementation of the forestry politics/ strategies, as the control/ supervision of the lasting management activity of the woods at the national level (The National Forestry Programme).

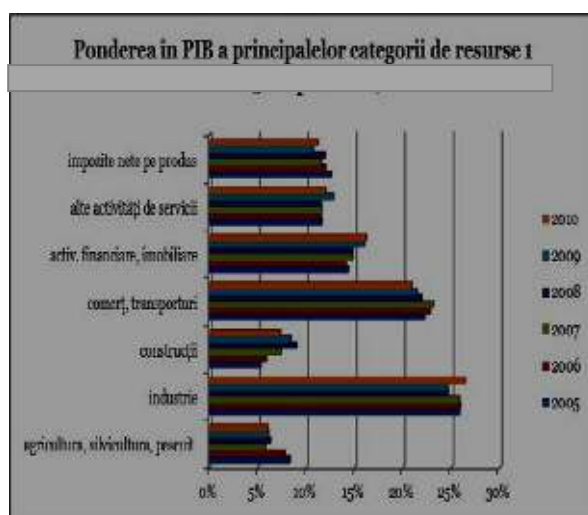
The analysis of the forestry domain participation to the PIB underlines an important diminuation of this participation, from 0.8% in 1980 to 0.28% at present. The privatisation of some related activies from he forestry domain and from the exploitation and pre- working of wood domain, as the reconstitution of the property right on a big part from the forestry areas which makes difficult the evaluation of the real participation of the entire forestry sector to PIB.

The majority of the small and medium enterprises, newly created, accomplished in the functioning authorisations mixed activities, and the statistical raport of the buisness score is not done by an honest reflection of the activities weight with forestry character, thus concerning the consequence of the economical crisis at the PIB formation for 2010, the most important decreases were registered by the buildings

sector (- 13,3%), agriculture, the forestry domain and fish domain (- 5,4%) and the services' sector (- 2.2 %).

The decreasing of the added gross value of the activities from the services is an important one because this branch has a percentage of almost 50% from PIB. Consequently, in 2010, Romania remained in the recession, industry increasing, alleviating something from the decreasing from the other sectors. The main generator of the increasing of the industrial activities is the exportation, as on the internal market the consum and the investments continue the negative trend.

Figure 2. The share in PIB of the main categories of resources



Source:

<http://www.cogitus.ro/economie/executia-bugetara-pe-2010-si-sinteza-pib>

The relation of the forest and of the forestry sector in its assembly with other sectors of the national economy are of a special importance. The forest, with multiple ecological, economical and social functions which are fulfilled, is a good of national interest which interests and conditions different activity domains, from the medium protection to the ones connected to the valuing of the natural resources.

The harmonious combination of such preoccupations, apparently contradictory, is of maximum importance.

5. Conclusions and perspectives of the research

The effects of the financial international crisis are multiple and affects differently the domains of the economy's activity.

Recently, Romania has got a macro-economical instability, being affected by the worldly economical crisis. One possible cause would be the lack of competition which stops the economical development of Romania. This can be explained by: the low productivity due to the use of an old technology, a low entrepreneurial level and a weak level of the management capacity, an unfriendly business medium, an insufficient investment in research, development and innovation, a low correlation between the employment and the necessary of qualification in a modern economy. (R. Andreica, M. Jaradat).

In almost all the states, the medium and natural resources ministries are traditionally weaker from the point of view of the allocated annually budget, as personal and resources. (A. Popa, L.G. Vasilescu).

Thus, the financial activities are very important, because it is necessary the adherent capacity for assuring that the investments for the protection of the medium simultaneously with the lowering of the poverty can be financed from the extern resources, but also by the mobilization of some own resources. It is also necessary a sustainable effort to underline the importance of the correlation poverty- medium in the taking of some future decisions of the government and for the implementation of the solutions, with the involvement of the ministers with the planning and the financing according to the objectives of the medium agents.

The perspectives concerning the effectuated research consist in the showing of some images on the role, objectives, procedures, and of the correlations between the activity of the internal audit and the one of the internal control manifested in the autonomous administrations from the forestry domain, with the emphasising of the implications which these activities have in the efficient management of the resources from the forestry domain and of the added value, which these compartments can bring the entities, in correlation with the

management of the resources, having at its base only the information given by the financial situations

The motivation of continuing the research is especially of the practical order, having in consideration the poor way in which the resources from the forestry domain have been managed during the last years.

Analysing in an optimist way the situation from the forestry, I believe that in the future the role of the internal audit from the autonomous administrations will manage to be more successful, and from the assumption of the mistakes and irregularities, will pass to the underlining of the priorities of the private Forestry or from the National Administration of the Forest.

The promising recommendations found in the reports of the internal audit, recently introduced in the forestry directions, constitute a starting point in the observations that the internal audits from the forestry domain can support the entire Planet through their activity, besides their help in the autonomous administrations from the forestry domain, trying to frame rigorously the negative effects of different economical operations.

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Evolution of Large Retailers in Terms of Crisis

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Abstract

In a difficult economic context and a more fastidious consumer, retailers can not pass evenly in the shelf price of more expensive raw materials. One important thing this year for companies is to remain anchored in macroeconomic market realities and "maintain about consumers and employees."

The stake will be the amount that any product. Consumers are more careful about what they buy. Must every producer (brand) won in their consumer wallet. The challenge is even greater as most traders already have used traditional lever heavy discounts during the recession. Are in a nearly hopeless situation, they have now found new ways to mitigate the inflationary pressure.

Key words: consumer, retailer, behavior, marketing strategies

J.E.L. classification: D12

1. Introduction

No less money from the pockets of buyers, no increase in TVA, no economic crisis not in the balance sheets of the largest retailers on the Romanian market. Accumulated profits of the fifteen largest network approached last year by half a billion lei, a figure more than twice higher than in 2009, according to calculations BUSINESS Magazine. And sales have increased by (only) four percent. The crisis did not affect the Romanian consumer appetite for food. Continue to buy as much as during the boom. The difference is that rather than give up quantity, Romanians give up quality. As a result, products are sold mostly cheap and very cheap.

It focuses almost exclusively on meeting basic needs, and frequency of purchases, which fell to four visits per month, affecting more modern retail. In Romania shopping cart is 175 euros monthly and consists of fresh produce at a rate of 65%, while in Europe the basket is 320 euros monthly. Average basket per visit hypermarkets fell in January-September from 170 lei to 158 lei, though in words hypermarket shopping remains the first choice for 93% of cases, according to a recent study.

Proximity remains an important criterion in choosing the store to shop, but is very important distinction, and the ease with which customers find products on the shelves.

In terms of retail market development, we appreciate the fact that "the market will not increase, but no longer decreases." Traditional trade will maintain its current market share of around 50%, major retailers will continue to lead a fierce battle on price, but will improve and services. However, it will make the transition from large format to smaller ones, and traders will seek to conclude strong partnerships with various manufacturers in the market.

While retailers can hope to offset higher input costs through price increases, inflation will have a significant impact on consumer ability to spend. Its purchasing habits will reflect a shopping list adjusted in several ways, including fewer visits to the store, an accelerated migration to the Internet and move towards nearby shopping locations (convenience stores).

As the price range, consumers will turn to economic solutions such as private brand products and those in promotion. The new consumer internet user intelligently, is more ready to make purchases. This avoid misleading prices and buy more with fewer resources, which will limit the ability of retailers to ignore price increases and will force them to be more precise in approach.

Trade continues to show attractive. In the last decade local retail market increased by 123%, by far the most active in the region. Between 2000-2010 Romania has the highest rate of growth of the retail market (about 8.5% annually) in Central and Eastern Europe, other markets in the region with lower rates: 54% in Poland and the Czech Republic, 26 % in Hungary.

Data from the Registry of Commerce and the Ministry of Finance shows that the most profitable business is that of the Germans from Kaufland, which operates discount stores large. Over 172 million RON in 2010, more than double compared to 2009 (78 million) is net gain of Kaufland, while the discounters strategy is to rely on low prices. While last year Kaufland had the largest gains from trade in Romanian, the other unit of Lidl, recorded the biggest loss: 247 million RON in 2010, about three times higher than the previous year.

In the last two and a half years the largest food companies, DIY and clothing have invested about 1 billion euros in opening new stores despite the economic crisis and declining consumption.

Players such as Kaufland, Lidl or Dedeman, either Romanian or foreign, still relied on the local market despite the downward trend of consumption continues.

However, according to consultants, there is growth potential for retail market valued at 30 billion euros. Unless modern retail consultants rely on an increase of about 60% by 2020, while the Romanians spend at present only 1,100 euros per year in this type of shops, four times less than EU average according to a study by Oxford Economics company. Thus, the next ten years, only food retail dominance could earn 10 billion to 16 billion today.

Another reason retailers have relied on expansion in a difficult period for the economy and trade is that the difficult economic situation of cheaper rents and land prices.

However, the crisis has left its mark on some market players, who failed to pass this time. For many of the Romanian business insolvency trade became the watchword.

Examples are Pic, business owned by brothers Penescu, Univers'all (Razvan Petrovici) and Ethos (Ion Soloman). This situation benefited large foreign companies

that made acquisitions among "sick". They continued to come up with money in anticipation of increased consumption in Romania. Some sharks are Mega Image trade and Profi trade.

Modern retailers were the most active and are still interested in opening stores. This market segment has managed in less than two decades to catch up with traditional retail, and half have come to trade. What will happen to the traditional trade in this situation remains to be seen. Network Dedeman DIY stores, occupies leading position in several chapters on last year's results - rapid expansion, sales growth (46%), the largest margin of profitability (around 10%). In terms of profitability, is also placed on top and Carrefour (140 million), Metro (139 million), Selgros (100 million) and Cora (66 million).

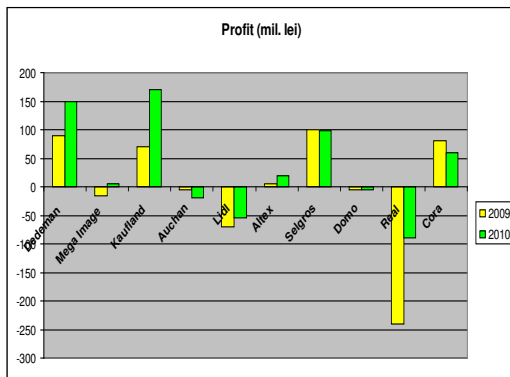
Figure 1. Dynamic sales growth in key economic agents



Source: National Institute of Statistics

In fact, discounters have been champions of the crisis in segment trade: the last three years have opened over 220 stores and cumulative sales reached 1.2 billion. To attract shoppers, discounters now gulping in segment sales over 430 spaces called Lidl, Penny, Profi, Minimax Discount Market, or Red Market.

Figure 2. Profit analysis of key economic agents in the years 2009-2010



Source: Ministry of Finance

This year we saw an abundance of remodeling processes, rebranding, repositioning, after the reinvention, the Romanian retail. At first glance we should enjoy such a finding because, in fact, investments in such processes is a mature market. On the other hand, we can not notice a blurring of lines between convenience stores, supermarkets and discounters, which are not nearly as clear as 5-10 years ago.

Start remodeling processes in modern commerce gave him cash & carry stores in a few years ago, but now already talk of a general phenomenon, doubled and other movements, such as repositioning or rebranding. Profi, for example, in the last 2-3 years trying to find a position in the market more "relaxed", bringing the concept of trade above the discount. Bill Germans also have great plans for remodeling the old supermarket network by rethinking space sales and a greater focus on services for buyers and assortment of fresh produce.

Add to the equation and aggressive expansion Lidl has already rebranded 107 stores from Tengelmann Plus taken and is preparing for the inauguration of the first units raised from zero, estimated at around 30 in the first phase. Concomitant with the announcement of the opening of 11 stores, Lidl launched its first image campaign focused on highlighting regional peculiarities in its portfolio of articles, which runs under the name "All the best in Romania. All the best in Europe ". Image campaign will be conducted in all media, both in Romania and in Poland, the Czech Republic and Slovakia.

Monica Davidescu image campaign is Romanian.

So far, Lidl has communicated only through the store magazines distributed in the surrounding areas. In addition, Lidl can interact with Web pages and through social media, where a community of over 91,000 fans, far more than any other local retailer now on Facebook. Since the beginning of September, all clients have weekly Lidl stores two days nonfood articles promotions: Mondays and Thursdays.

May we count miniMAX in Macro stores and rebranding. In fact, the last minute changed Mercadante management strategy, realizing that the two concepts are addressed to different segments of the population.

After a year and a half since the launch Mic.ro concept, the network of about 720 grocery outlets include fixed and mobile units around 110. The novelty really important in terms of company Mercadante is a decision not to give up miniMAX Discount brand. Because miniMAX and Macro are two different markets. miniMAX is a discounter and Macro store is more than proximity. Another strategy applied by large retailers is based on advanced analysis of prices, promotions practiced in the store, the better management of inventories and product diversification depending on the specific needs of the area where the store is located.

Price will receive the most attention, as inflationary pressures will intensify. Ability of retailers to increase prices not passed on to consumers varies with the company's market position and price policy. Retail industry leaders, those who benefit from a consistent traffic in the area of sale, are reasonably well positioned to keep prices relatively unchanged.

Their smaller competitors, however, more concerned with current rates probably maintain profitability, will have to increase the final prices and use other levers to drive traffic in store. Store formats targeted toward quality will be under price pressure as low-income buyers, sensitive to price, will be forced to make shopping more selective and much less value. On the other hand, the ability to inform consumers about offers price charged by retailers will follow reduce their appetite to increase prices for substitutable items.

These factors influence the market with a high will cause retailers to be more strategic and precise to validate prices, but also more flexible in adapting to market changes. Retailers will need to closely monitor the dynamics of prices of competitors and adapt to these changes in a short time. Similarly, should be given special importance and effectiveness of promotions. The fact that retailers looking to generate traffic even among people who do not tend to do more shopping, knowing what kind of offers will motivate consumers to buy, is of critical importance. Retailers may seek to introduce or expand a campaign of high-low price segment (the line between economic and environmental) using promotional discounts to generate significant traffic in the store, but also to mask some price increases.

By carrying out analysis on finding the most relevant product attributes to consumer buying habits or tolerance regarding the price increases, retailers can identify the right combination of products to run promotions, in order to motivate various consumer segments. Introducing this level of sophistication in the decisions about prices and promotions will ensure that retailers and their actions promotional prices will generate results.

With the expansion, retailers will begin to develop commercial projects based on market characteristics that are found, and the range of products tailored to the needs of a highly fragmented audience. Although this approach is widely used today by many retailers in the past adapted to the local strategy was considered too difficult to implement.

Advanced analysis techniques to change the appearance of the game. Great retailers apply detailed research to effectively maximize the assortment of products.

Research on product quality but also of selling space provide more superior knowledge compared with traditional reporting on top of a category of products preferred by merchants. New research methods allow traders to determine with greater precision local consumption habits

and optimize assortment properly. In addition, there are software companies specialized in providing sustainable solutions designed to analyze transactional data both consumers and local model of consumption and thus to help retailers determine which items should be included in the assortment.

Factors which underscores the importance of good management of stocks:

- Increased transportation costs could result in decisions on stocks rise for a better management of logistics costs;
- The prospect of rising prices of raw materials and utilities, in general, can cause retailers to buy more than needs, especially by imports, to avoid future price increases;
- Most retailers store and manage inventory for online commerce stores built separately from those submitted. As online commerce continues to become a growing business division, retailers will have to adopt a multi-channel inventory management.

2. Conclusions

No less money from the pockets of buyers, no increase in TVA, no economic crisis not in the balance sheets of the largest retailers on the Romanian market. Economists warn that the biggest inflationary pressures coming from food and fuel prices. As the price range, consumers will turn to economic solutions such as private brand products and those in promotion. The new consumer internet user intelligently, is more ready to make purchases.

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The Effects of the Global Crisis on Services

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Abstract

Challenges appear day by day and selling more services than products has become an exciting challenge. In the last years the number of services sold has overcome the number of products sold.

The purpose of this paper is to show how the world crisis has effected confidence in services in the European Union. Services are a part of our lives and due to their intangibility the decision of buying them becomes even more important because we can fail in choosing a service that does not accomplish what we need from it.

After reading this we shall see that in services it is very important the relationship created between the company and the client. Unfortunately, the financial crisis has had a serious impact on the sale of services.

Key words: services, crisis, marketing, confidence

J.E.L. classification: M3, N7

1. Introduction

Throughout the last years , the economies of most countries have had the tendency to evolve in service economies having at the center services like education, health care, financial one and the list can continue. It is though for a business to compete in the services area due to the fact that services are not tangible products and marketers must take into consideration all of the marketing mix elements and offer consumer the value they desire.

Some scientists considere marketing services more difficult mainly because :

- services are intangible so they can not be touched, being difficult to actually now what they are buying;

- services are variable, they differ as people are different and each can have a different answer to the same problem,

- services can be manufactured while the consumer is waiting to receive it and this usually happens in the online area.

Companies from the service area try pass difficulties by making sure that consumers recognize the quality of the service trough its physical manifestation and this can be done through the business representatives, the way the building looks and so on. If you want to travel and see photos with a hotel looking great than you will be satisfied before actually staying there. This is the good part because there is the case when a coffee shop looks obsolete and you may not want to enter to see what it offers so even if the coffee shop offers great services it will be more difficult to convince people of the services quality.

It is said that relationships are the key in services marketing because if marketers understand consumers needs it will be easy for them to have a long term relationship, build on loyalty and such a relationship can only lead to the increase of sale and to an effective buzz marketing. As we have seen, interating with the customer is important so companies try to have different touchpoints . Companies also take into consideration feedback from customers in order to improve the quality of their services and basically to fulfill consumer needs.

In such a competitive world , customers have the possibility to choose among different services so there is a huge challenge for the marketer so that its services will be known by everybody. Knowing how to communicate the benefits offered by services is only due to the fact the services marketing is so prolific.

We must also mention that the new technological discoveries have a huge impact on the service economies of all developed

countries. Living in a world dominated by Internet services can be a good thing because it allows companies to stay competitive and customers can take part in the marketing process.

2. Notions related to services

Kotler defined services as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of any thing".

The services marketing concept has appeared in the moment when the world economy of services has started its development. After the years 1940, 1950 the society developed so it was necessary that new techniques and methods were used to know the market, anticipate its behavior and taking measures to respond to the competition.

In the year 1963 it has been published by William J. Regan the book "Services revolution" and from that moment on the number of authors writing in this area has increased so that in the 90' there were over 3000 specialty papers. An important moment is represented by the year 1981 when the conference of AMA (American Marketing Association) has been dedicated exclusively to services marketing.

According to the French school the services system represents the systematic and coherent management of the physical and human elements of the interface client- firm.

This system contains four elements: physical support, contact personnel, the client and the service. Between the elements we find different relationships.

Regarding the physical support we can state that it represents tangible part being used not only by the contact personnel but also by the client. It consists of the instruments used in performing the services and here we find equipments, machines and other objects.

Some say this part is divided in material elements used in performing services and elements specific to the contact personnel.

The contact personnel refers to the people that are in touch with the customers. There are cases when a service does not need such a personnel. Some services use equipments, machines so the presence of contact personnel is no longer necessary.

The client is the one who has a certain need that is being fulfilled by a service. Client is the person who uses several times the services of a company. There are cases when its involvement is necessary and cases when it is not. The participation happens when a client takes a ride with the car that has just been repaired.

The service is the most important part of this system being the result of the interaction between client, physical support and contact personnel.

According to the Nordic School of Marketing the services marketing is divided in :

- a. External marketing – referring to the usual activity of the company consisting in preparing services, charging tariffs, distributing and promoting them;
- b. Internal marketing refers to the activities of preparing, motivating and stimulating the personnel in order to provide services;
- c. Interactive marketing regards the staff capacity of providing services.

3. The effects of the global crisis on services

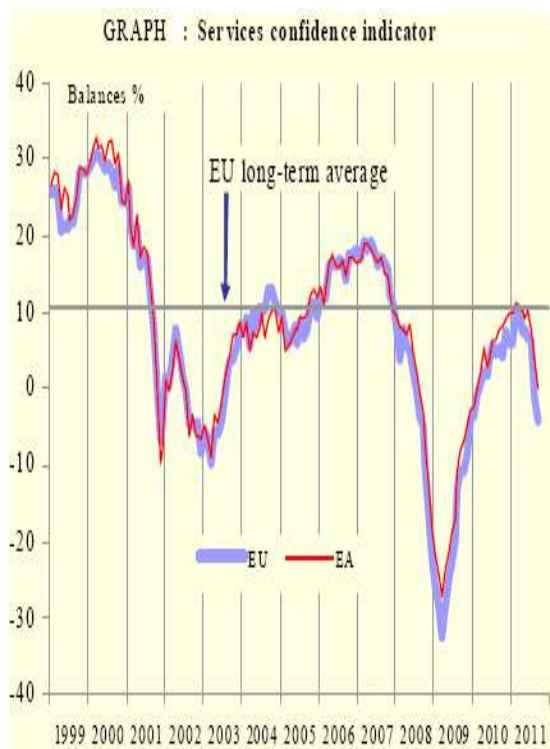
It is said that the world economic crisis has started in the middle of the year 2007, the beginning of the year 2008. The crisis started in U.S. and continued around the globe. In that period governments realized there was a need for rescue packages due to the fact that important financial institutions collapsed and day by day the crisis was getting worse and stock markets continued to fall.

Some say that this crisis could have been avoided but during the boom period nobody could have thought that things could go that bad.

Professor Joseph Stiglitz, winner of the Nobel Prize, that financial markets should be evaluated in relation to how they serve citizen, if their services respect clients needs and by doing so the economic could only grow.

According to the surveys realized by the European Commission, Directorate – General for Economic and Financial Affairs, the Economic Sentiment Indicator (ESI) declined by 3.4 points in the EU and the euro area. This decrease shows losses in confidence in industry and services.

Figure 1. Graphical representation of ESI



Source: European Commission Services

In what regards the sentiment in services we see that it decreased in European Union with -2.8 and in the euro area with -3.7. This difference is caused by a small increase in sentiment in the United Kingdom. Apparently, past and expected demand from both regions has been evaluated as worse. Regarding employment expectation in services it can be noted that they decreased in the euro area but it can be seen an improvement in the union.

Also, confidence in financial services also decreased with -3.5 in the union and -1.2 in the euro area.

The lowest level of the ESI started to be recorded in 2008 when the services confidence indicator has had the lowest value since the appearance of this indicator. It was reported a decrease in all countries of the European Union.

4. Conclusions

Experts say that the global financial crisis will reach its peak in 2012 so there is still to come. As we have seen, services have been affected considerably, existing a serious decline in the consumer confidence leading to decreases in the sales. Such a thing can only affect companies in a negative way because by decreasing their profit companies find it harder to survive in the competitive economic environment.

The only way to continue to perform an economic activity is for all companies to try to innovate their services, always discover what are their customer needs and try to fulfill them before the competition.

Fortunately, the members of the European Union do their best in keeping the unity of the Union and in trying to help countries to overpass this crisis by recording a growth in the economy.

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Synthetic Analysis of the Effects and Impact of Financial Crisis in the National Context

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Abstract

„Creativity is born out of necessity, and the day is born of the night. In times of crisis are born inventions, discoveries and great strategies. Who is exceeded beyond the crisis itself and not remain exceeded.” Albert Einstein

In this paper we intend to present a series of reference points on the implications and impact of the financial crisis on the micro and macro environment in Romania. This analysis is focused on summarizing the effects of global economic and financial impact on our country.

In this, the state involvement in the economic and financial life should be to act as representative of all citizens and representatives of national economic and financial interests. The economic and financial crisis has been and continues to represent the negative effect of a multitude of interconnected factors, namely: economic factors, financial factors and institutional factors. Under these extraordinary conditions of crisis it is necessary to be taken a number of measures, both at international and national level to counter the negative effects of the internal and external financial crisis.

The research will allow us to identify significant changes both in economic life and in the financial life of our country.

Key words: economic and financial crisis, recession, crisis effects, anti-crisis measures, the economic recovery.

J.E.L classification: H11, O11, O12

1. Introduction

The triggering of the economic and financial crisis by breaking the U.S. housing bubble and its global expansion has broadened the horizon of research in this area, generating numerous topics of discussion today and tomorrow.

In our view, this global crisis is and will be the catalyst of many mutations and changes we will face in coming years. We believe that the uncertainty of economic and financial crisis of the state must adapt to these changes in order to perceive, understand and analyze the business environment as a major opportunity for the future.

Specialists in the field believe that the economic crisis began in October 2008 in the U.S., mainly but not exclusively. The most important causes identified by experts for this phenomenon are: pre-crisis boom in lending, excessive growth of asset prices, granting loans and uncontrolled massive economic entities that do not provide sufficient guarantees of repayment. Root causes of economic and financial crisis are deep, such as macroeconomic and microeconomic in nature. The current financial crisis is spreading worldwide and no sector has remained untouched.

The crisis was largely the result of an exacerbated optimism that led to an excessive degree of risk in business, combined with mismanagement of financial market uncertainty management. Amid inconsistent macroeconomic policies, generating internal and external imbalances and deficiencies in financial regulation and supervision, the financial crisis turned into a global economic recession. The economic situation overlaps many other negative phenomena become chronic: environmental crisis, the crisis

deepening economic disparities between states, poverty, deficits, education, healthcare, etc., affecting the world as a whole and each individual, which makes improving the social problems of mankind to be postponed due to lack of financial resources.

Although the starting point of the crisis is in developed countries, the most affected seem to be the developing countries, as is the case of Romania, who has to cope with the increased number of people suffering from malnutrition, hunger and chronic diseases, unemployment, reducing access to education and health. Effects of the crisis materialized in the collapse of stock markets, disrupting the balance of payments and trade balance, large swings in exchange rates, budget deficits increase, decrease world trade, reduced access to financing through loans, are felt to varying degrees throughout the world. Developing countries such as Romania, are most affected because they depend more foreign investment, and people have fewer resources to cope with the crisis (through consumption and thus encourage the development of growth companies). [7]

2. Economic and financial crisis in the national context

2.1. The impact and effects of financial crisis over the microeconomic environment in Romania

None of the companies operating in the Romanian or international economic space can not avoid reality and minimize the effects of global crisis.

During the periods of recession, companies tend to reduce investment in research, development and innovation, which is why young firms whose entrepreneurs come up with new ideas are more vulnerable to financial constraints than companies developed. However creativity entrepreneurs can reduce the effects a crisis more effectively than traditional businesses. [5]

Many experts consider that, to meet the difficult economic situation, enterprises, especially SMEs, must provide quality services, build a trusted name in the market, develop lasting relationships with business partners.

More than half of the top companies in Romania believe that the peak of the economic crisis will be reached in 2012, the year will be marked by new bankruptcy of Romanian SMEs, said the director of the Association of Chartered Certified Accountants (ACCA) South East, Andreea Stanciu, at a conference on SME sector development. As the studies show in this area, Romania did not yet reach the maximum level of the financial crisis. The peak will be attained in 2012. It is good that we can know this before and that firms have such opportunity to rethink their business, to shift. Will continue, certainly bankruptcies, companies make do not have profit because of the falling demand and SMEs access to financing is more difficult, said Andreea Stanciu. [1]

The principal measures taken by the managers of Romanian companies as a result of the crisis have been materialized in:

- reducing the number of productive and administrative staff;
- adjustment of the investment plans;
- adjusting prices by reducing wages;
- renegotiating with banks on credit expansion and extension;
- sending employees in technical unemployment;
- reducing all categories of expenditure;
- increase loan payment deadlines credit/leasing;
- expansion of marketing;
- reduce the costs of collection;
- sale of assets;
- maintenance of wages or even reduce them;
- accessing European funds where possible;
- grant not paid of leaves;
- reducing or eliminating other material benefits to employees.

Each company has had a manifestation and a different approach on the financial crisis impact on its activities, depending on the activity profile, company size and reputation before the occurrence of the crisis, the market context that works, etc

The main factor affecting the business environment in Romania has been the falling demand seen as a complex and interdependent system of factors, among which the important ones are: availability of credit, exchange rate volatility, the

emergence of arrears and liquidity problems, etc.

The most affected companies were those in the metallurgical industry, metal constructions and metal products and transport industry, building materials, chemical industry.

2.2. The impact and effects of financial crisis on the macroeconomic environment in Romania

Deepening financial and economic crisis to turn around the trend over the state's role will be higher, and the private sector will be lower.

The European economy slowly emerges from the worst recession for decades faced. The economic crisis has caused a significant decline in economic activity in the U.E., accompanied by the loss of millions of jobs and a high human cost. Pre-crisis structural deficiencies were not corrected properly became visible. [8]

The crisis had a high degree of synchronization is affected both developed and emerging countries, demonstrating a significant increase interdependence of world economies. Since the last quarter of 2008, the financial crisis spread rapidly in Romania, in the context of an increasingly globalized world economy, and specifically, the Romanian economy highly integrated into the U.E. economy, so any negative external shock to spread rapidly and internally.

The international financial crisis on the Romanian economy expanded at least the following areas:

- commercial sector crisis led to a slowdown in export growth or even reduce them;
- in the financial sector the crisis has limited access to external financing, and thus led to restrict the volume of lending, generating difficulties in the external private debt; the developments in international financial markets and in the domestic financial market dynamics have led to a reassessment of risks influencing the capital market;
- national currency depreciation by reducing external financing;
- withdraw from Eastern European investors;

- net asset deterioration of the population and companies due to the large share of loans in foreign currency (depreciation related) and lower asset prices and real estate securities from speculative values.

Monetary policy pursued during the crisis has led to an increase in the monetary base. However, in early 2010, it did not cause an acceleration of monetary aggregates faster than at the beginning of the economic increases that followed the economic output of the worst recessions of the past. But as soon as the cyclical conditions will become normal, there is a real possibility that this risk of liquidity to inflate the price of certain assets, creating a new speculative bubble. The problem which will then come into discussion is that of the strategies of receiving liquidity. In other words, the crisis spiral continues, because not only after the crisis of the risky mortgage derivatives, we find ourselves in the same point as after the crisis of new technologies from 2000, but more than that, the dynamics has grown because "the global saving glut" (global excess liquidity) Bernanke was talking about in 2005 has only served to increase, following the monetary policy pursued during the crisis. [9]

The effects of the financial crisis on the macroeconomic environment can be grouped into: economic effects, effects of financial and social effects.

Major economic effects can be:

- reduce economic growth (GDP);
- reducing the volume of foreign direct investment;
- increasing unemployment;
- market exit of a large number of SMEs;
- tend to reduce competition.

Major financial effects may include:

- decreasing liquidities in the banking system;
- reducing current transfers from abroad;
- damage disinflation;
- increasing bank interest rates;
- increasing the public budget deficit;
- increasing the cost of private sector funding;
- increasing the cost of financing the budget deficit.

Major social effects are:

- difficulty or impossibility of returning to long-term bank loans to individuals;
- decreasing the safety of the workplace;
- the fear of increasing social insecurity.

The strategic options that the state could take to facilitate overcoming the negative effects of the economic crisis are:

- reducing fees would be really useful especially for private companies, but also to redress the economic environment;
- unlocking investment and expansion;
- intervention on the banking market in reducing interest;
- providing financial incentives;
- strengthening state banking sector;
- exchange market intervention on exchange rate stabilization purposes;
- extension of time limits for payment of taxes;
- reducing budgetary expenses.

In the short term, government priority has been and still remains linked to economic recovery, creating jobs and ensuring sustainable public finances. Despite the reduced budget fiscal space as a result of expansionary macroeconomic policies pursued in previous years, the government reacted promptly in 2009, and implemented an anti-crisis program resulted in a substantial number of measures to stabilize the economy and resume growth process, as follows: [9]

- measures to stimulate demand by increasing the purchasing power of households (The first house), cars (scrappage program), support for exports (Eximbank capitalization);
- investment incentives (tax exemption for reinvested profit, investments in thermal rehabilitation of dwellings);
- incentives to agriculture (the "first crop");
- social measures (providing social pension for pensioners with low incomes in two installments);
- measures to protect the labor market (unemployment Technical Program "for employees more money, more competent, more healthy", extension of unemployment aid for three months).

3. Conclusions

Conclusions of the most important Romanian experts are clear: not only the crisis is not over, but entered a difficult phase and that will affect the financial system and economic fundamentals, the phase of economic decline will continue until 2015 at the earliest and a recovery cycle in 2020.

This decade will be the lost decade of Romania, and if are not taken rapidly action to restore even a controlled collapse of the economy then we risk that Romania will not recover even after 2020.

The crisis continues to affect the Romanian companies. Two thirds of Romanian managers is expected to be affected by the crisis by the end of 2011 and a third are in gibberish so the level of uncertainty that can not act on the moment when the crisis will stop them affect business. From about mid last year until now, almost all companies in Romania have started implementing actions of keeping costs under control, but also to reduce them, but in the exchange of structural changes of business, most measures have been limited to staff reductions , freezing salaries and hiring and freezing new investments.

Regarding economic and financial crisis at the microeconomic level we suggest a series of general measures which may somewhat counteract the effects and impact on our country:

- measures to mitigate the effects and impact of the crisis taken at national level should be correlated with those taken at E.U. level in order to improve their effects;
- control measures established in the short term crisis, should be classified in the medium and long term strategy;
- in the manifestation of the economic and financial crisis must be protected the economic interests of the population (purchasing power, repayment capacity, jobs) and social security support;
- maintaining and developing investment attractiveness of Romania;
- measures of countering the effects and impact of the crisis must be taken and applied logically, so that a measure taken to become a resource or support follow-up.

In the line with the Government Program and U.E. objectives provided under the Lisbon Strategy (relaunched), the Broad Economic Policy Guidelines and the Stability and Growth Pact of the E.U. medium-term economic strategy of the Government the following objectives: [9]

- Resumption of the process of economic growth and job creation;
- Adjusting public deficit and current account deficit to levels that make possible their funding and continuation of the disinflation;
- Protecting the population categories are most affected by the economic crisis;
- Improving the predictability and performance of medium-term fiscal policy and maximize the efficient use of funds from the European Union;
- Ensuring long term sustainability of public finance;
- Restructuring and streamlining public administration;
- The firm implementation of the commitments assumed under the multilateral external financial agreement with the IMF, European Commission, World Bank and other international financial institutions.

The European Commission's new strategy for 2020 seen as an exit strategy requires that each head of state and government „sets a few generic objectives and policies to define appropriate action, to be pursued at EU level and Member States, in partnership”. The document defines four priorities for 2020: Innovation and knowledge, the fight against exclusion, green growth and digital Europe.

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Profitability – Economic and Financial Performance of the Efficient Usage of Production Costs

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Abstract

Every company has to be concerned with its profitability due to the fact that an activity with a negative rate of return has to stop developing or to improve its malfunctions.

Managers have to perform a financial analysis in order to observe the effectiveness of current economic measures and to assess the degree to which the strategic objectives are achieved.

The financial analysis of a company's activity includes a profitability analysis that reflects the economic efficiency of the activity. The performance of it has an impact on the owners and clients of the company because it will show if the activity has the necessary characteristics to be continued

The article presents the importance of the profitability analysis and what indicators should be used in order to perform it. The indicators considered to be relevant in this case are included in two categories: indicators expressed in relative size and indicators expressed in absolute size.

The indicators expressed in relative size are composed of the profit and margin while those expressed in absolute size refer to the profitability ratios.

The profit is the indicator that characterizes the activity of the company from the qualitative and quantitative point of view. The profitability ratios show how efficient the company uses its resources.

Key words: profitability, rates of return, economic performance

J.E.L. classification: G14, L11

1. Introduction

In the conduct of a company, experts appointed by it are required to periodically evaluate the performance registered in order to prevent and improve possible malfunctions.

Diagnosis on company performance is achieved by:

- management of the company;
- external experts
- joint teams of domestic and foreign specialists.

The notion of performance of an enterprise lies in how it achieves its objectives. This is dependent on company's objectives, on their achievement.

The complexity of performance lies in the diversity of definitions that appear in the literature about this notion. Thus, in the economy appear to be three types of performance calculated according to the level of achievement of strategic objectives, the value creation and the productivity and efficiency of the company.

Economic efficiency occurs due to the existence of a trader and is closely related to the evolution of prices, supply and demand ratio and costs.

The process developed for measuring the economic and financial performance starts from the two approaches of performance measurement. The first approach is a technique one and focuses on the study of results, networks of management units and the second approach, human psycho-sociological approach, is centered on the person and leader behavior.

Thus, the two approaches are based on the system of objectives that have to be clearly defined and quantified within the limits but also in the staff motivational system.

Reflection of a company's performance depends on the method of calculating it that the managers choose. Thus, the performance measurement of the company's activity during a period of time can be calculated by difference between revenue and expenditure for that period.

If it is wished to assess the economic enrichment of the company, managers have to analyze the difference between net assets at the end and beginning of the period.

2. Profitability content as an economic and financial performance

The notion of profitability appears due to the development of an economic activity and it defines its ability to make profit by using inputs and capital. Profitability comes from the difference that occurs between the proceeds from the activity and the expenditures from manufacturing, marketing and the transaction itself.

This means that after the sale and collection of manufactured products, the revenues have to be higher than the expenses. Profitability is included in the system for disclosing financial and economic potential of the company, being essential information for banks, creditors and business partners. [1]

Profitability is a synthetic form of expressing the economic efficiency of the activity undertaken by a company considering both the inputs and labor.

Measuring profitability is achieved by using two categories of indicators: profit, reflecting the sheer size of return, and rates of return which show the degree to which financial resources of the company produce a profit.

Profit is the indicator of whose role involves characterizing the company's activity in terms of quantity and quality. It provides shareholders and entrepreneurs information on the saving activity of production factor, stimulation of innovation, improved manufacturing technologies, increase of the quality of their products. [2]

Legal regulations mention the fact that profit consists of two components:

- legal or legitimate profit – represents the monetary surplus registered by the company by keeping the law;

- illegal or illegitimate profit – amount of money obtained by violation of law.

The main objective of strategic nature of an economic entity is to achieve higher returns to capital invested by shareholders.

Achieving this objective is synonymous with the pursuit of profit - generating activities, since it represents the base for the allocation of dividends to shareholders of the company. [3]

Obtaining profit by the company proves to be a risky process because of the difficulties appearing regarding the correct assessment of market trends, prices, demand size, etc.

Economic and financial practice show that in case of some companies it can be met the over profit notion that includes over profit due to inflation, speculation; over profit generated by imitative innovation; the monopoly profit that occurs when a company has a monopoly position on the market.

The profitability rate represents one of the most important indicators to compute the efficiency of the company's activity as it shows the results obtained by following the economic circuit steps: supply, production and sales. [4]

3. Basic indicators of profitability

Measuring the return can be made by using two size categories: absolute and relative. [5]

The indicators expressed in absolute size include: the profit and the margins.

Indicators expressed in relative size refer to the economic, financial, commercial and resources consumed return.

3.1 Indicators expressed in absolute size

In the case of *profit*, according to the revenues and expenses structure from the Profit & Loss Account, for the profitability analysis we have to consider the following indicators: [6]

a) the operating income:

$$\text{Operating income} = \sum q\bar{p} - \sum qc$$

where:

$$\sum q\bar{p} - \text{operating revenues;}$$

$$\sum qc - \text{operating expenses.}$$

The operating revenues include the turnover, revenues from the stored production, revenues associated with assets production and other operating revenues.

The operating expenses include all expenses related to the operating cycle (production and marketing of goods)

b) the current income:

$$\text{Current income} = \left(\sum q\bar{p} + R_f \right) - \left(\sum qc + E_f \right)$$

where:

R_f - financial revenue

E_f - financial expenses

c) the extraordinary result is computed as the difference between the extraordinary revenues and expenses;

This type of result is a random one, it does not have a regular character as in the case of current result.

d) The gross income before tax is computed by summing up the current result with the extraordinary one or by making the difference between total revenues and total expense;

e) The taxable profit represents the gross profit before tax to which is added the overruns to legal levels for some categories of expenses and deducted some tax deductions;

f) The net income (profit or loss): represents the taxable profit corrected with the income tax.

Margin can be expressed in the following forms:

a) The margin of production costs: is computed as the difference between the selling price and the production cost of goods;

b) the commercial margin: appears in the case of companies that activate in the distribution field and is computed as the difference between the selling price and the purchase cost of the goods;

c) variable cost margin: shows the difference between the selling price and the variable cost of the good;

d) direct cost margin: shows the difference between the selling price and direct costs.

3.2 Indicators expressed in relative size

This type of indicators includes:

a) the economic rate of return: shows the relationship between an economic result and

the economic means employed to achieve it; this rate expresses the efficiency of the commercial activity of the company:

$$R_e = \frac{I_c}{A_t} \cdot 100; \quad R_e = \frac{I_o}{A_o} \cdot 100;$$

$$R_e = \frac{I_c}{C_p} \cdot 100$$

where:

I_c - current income;

A_t - total assets

I_o - operating income;

C_p - permanent capital

b) the financial rate of return: shows to investors how profitable is their investment and it reflects the correlation between the net income and the company's equity:

$$R_f = \frac{I_n}{\sum_{i=1}^n qvi \cdot \bar{pi}} \cdot 100$$

where:

I_n - net income

qvi - production sold

\bar{pi} - average selling price

c) commercial rate of return: expresses the efficiency of the commercial activity of the company maintaining the connection between the income the net turnover:

$$\bar{R}_c = \frac{I}{T} \cdot 100 \text{ where:}$$

I - income associated with turnover;

T - turnover

d) resources consumed rate of return associated with the turnover: shows the correlation between the profit corresponding to the turnover and total costs associated to sales; the specialists consider that its value should lie between 9% and 15%.

$$\bar{R}_c = \frac{I}{\sum_{i=1}^n qvi \cdot ci} \cdot 100$$

where:

ci - cost for product i.

The presented indicators are considered useful tools in the financial analysis of the company because their computation helps characterize the production policy, trade policy and investment policy.

4. Conclusions

In order to continue in performing its activity the company has to analyze the performance of it registered over a period of time. This involves a detailed study of the profitability of the enterprise being necessary the results that are obtained from the calculation of rates of return in order to make a comparison between national companies with the same domain.

The notion of profitability is strongly correlated with the profit, representing a company's ability to achieve profit.

The concept of return reflects the company's ability to use its resources at its disposal in an efficient manner that will lead to obtaining monetary units. It is important that the inputs that the company has to be used at full capacity.

From this article we observe that in order a relevant analysis on profitability requires two types of sizes: absolute sizes, the profit and margins, and relative sizes, rates of return.

Determining the profitability of the activity carried out by a company is important information for economic agents and customers, creditors, suppliers and banks.

Thus, the approach on this theme, profitability, is a complex and deeply in need of further deepening.

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Romanian Consumers Habits regarding Dental Hygiene

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Abstract

In the actual context, marketing in the dental care services field is confronting with more and more challenging demands. Among them one of the most important one is referring to the need to integrate consumers motivation in the field of marketing strategy. The present research aims to investigate the content and the different corelations of consumer habits regarding dental hygiene. The results are intended to be used in developing new promotional campaigns build on motivational techniques for dental offices.

Key words: dental hygiene, consumers habits, dental care marketing

J.E.L. classification: M31, I11

1. Introduction

Complexity of services is greater relative to tangible goods makes a matching of product offering with customer expectations more challenging in the case of services marketing. Among different types of common services, health care products may be even less amenable to a matching of services offered with customer expectations, because health care product offerings are often characterized by complexity, inseparability, variability and customization.[6]

T Land after some research has shown the urgency with which the profession dentistry needs to grasp the challenge of becoming more consumer-focused. Elements of the practice of dentistry are now highly

anomalous with the characteristics of successful modern services. [4]

The health of individuals in particular and of the population in general reflects the quality of the society's life and unrelentingly represents a chief factor in its development, and the health management is not a luxury but, on the contrary, a necessity. The population evaluates the dental medical services by making a comparison with other similar units and, if those services meet their expectations, the consumers define the service as attractive. The cost of patient dissatisfaction is high, since it creates an unfavourable publicity on the competitive market, with consequences upon the efficiency of the dental medical service. [1]

Authors have been conducted a national research aimed to identify romanian consumers habits regarding dental hygiene, taking into consideration the following dimensions: temporal, modal, and spatial.

Dental hygiene represents a set of rules and norms that people respect in order to maintain and the health status of the bucal cavity. Consumers actions that are meant to preserve a hygiene state in time can be quantified as habits.

Habits regarding dental hygiene can be defined as manifestations of the human behaviour with a high degree of repetitivity and a powerfull cristalization after long periods of time.

Consumption habits are interrelatinged with the buying skills representing those modalities that achieved constancy regarding some goods or services.[2] Habits have a big amount of stability through time beeing the direct result of learning and sedimenting process of some adaptations. Beeing very intercorelated with the learning process, and

consumption experience, habits usually have a certain dynamics.

Changing of habits can be achieved through a long process of education and consumer self-education, in the same time through a constant evaluation of the consumer satisfaction state and self expectations.

In the context of efforts related to dental hygiene it can be distinguished a number of analysis area relevant to the complexity of this approach. Thus, we may speak about activities characteristic to the prevention of dental disease, activities to maintain dental health and activities circumscribed to the treatment of dental disease. All of these three dimensions gives us the overall view of the complexity of contemporary dental hygiene as referring to the contemporary consumer.

2. Methodology of the research

In order to identify romanian consumers dental hygiene habits authors conducted an online survey type research. This approach was trying to identify answers of people from all over the country, from both urban and rural area.

The authors were aware of the restriction provided by this method because of the need to get access to the e-mail technology. However, this method was chosen for practical reasons related to costs and speed in obtaining the desired informations.

The active period for the questionare as a tool for collecting the informations was between september and october months.

Authors had a respondents database spread almost uniform in all counties, then beeing used the method of snowball for creating the sample (each person that was receiving the link was transmitting to all his acquaintances).

The primary requirement that was comunicated to the respondents was that they already have to be over eighteen years of age, this beeing the only filter applied to the respondents. The total number of selected respondents was 732.

The research was based on a number of key objectives such as: identifying consumer awareness towards their own state of dental hygiene, characterization of used dental hygiene methods habits, detrmination of food

habits, characterization of dental health care habits.

The key objectives were completed with a series of secondary objectives and hypotheses from which we can emphasize:

H1: awareness of dental hygiene is high,

H2: attention granted to dental hygiene is important in more than 80% of cases

H3: 30% of respondents identified a dental problem in the last 6 months

H4: main sources of information about the nature of dental diseaseare: the dentist, family, friends

H5: 40% of the respondents brush their teeth once a day

H6: Most respondents use dental brushingafter meals

H7: there is no clear preference for drinks or food acid

H8: 40% of respondents have an irregular frequency of dining

H9: in most cases the visits motivation to dental offices was the dental treatment visit

H10: over 60% of respondents attending a dentist 2 times a year

H11: over 70% of respondents go to the dental office alone

H12: at least 40% of respondents prefer a dentist in the neighborhood where they live (for Bucharest), in place of residence (for the province).

3. Research results

Initially was performed a univariate analysis of the responses received and subsequently it will be made a bivariate and multivariate analysis of correlations between different questions

Along the present article it will be presented a part of the research results, especially those that confirm or refute the hypotheses advanced in the methodology of creating the research questionnaire.

Thus one can see that on the first hypothesis (awareness of dental hygiene is high), answers are nuanced and offers a fully structured information.

A total of over 90% of respondents said they use to inspect their teeth in the mirror, habit that is corelated with other activities that can be asimilated with awareness of the hygiene status (concerning about regular

brushing, approved dental exam, use of auxiliary oral hygiene brushing means).

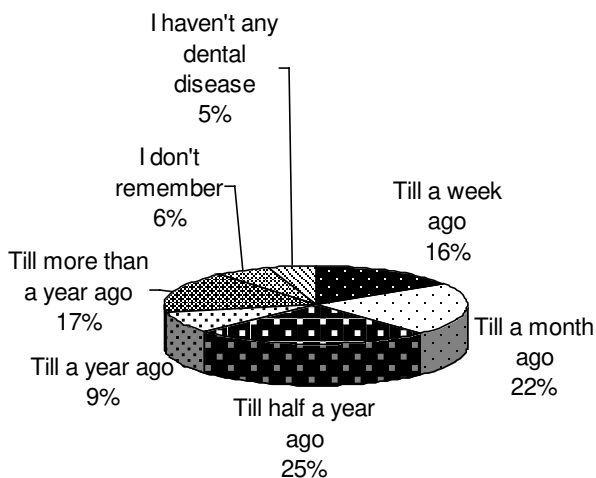
The conclusion that is imposing itself is that, romanian consumers in general have a dental hygiene state degree of awareness pretty raised thus beeing verified the first hypothesis.

Also the second hypothesis is verified, the procent of 90 % respondents who are interested in dental health is relevant for the concern regarding dental hygiene.

Answers indicating the time interval necessary for identifying a dental hygiene problem reveals that the cumulative percentage of respondents which have been identifying a problem in the last 6 months exceeds the figure corresponding to the hypothesis. The actual figure is around 70 % of total respondents.

The imposed conclusion is that the dental health status is poor for most respondents and in the same time the awareness of the disease is high.

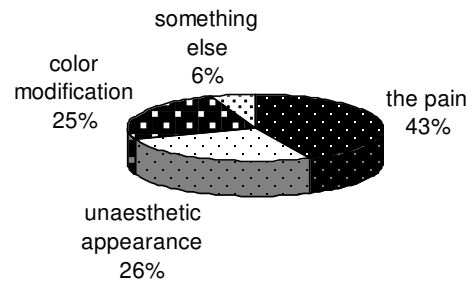
Fig no1: The time interval necessary for identifying a dental hygiene problem



Source: Own survey

In terms of how the dental disease was notified, by correlating answers it become clear that respondents have been asociated the pain with color change modification or decay manifestation (after the pain manifestation).

Fig no2: The element of identification for the dental disease



Source: Own survey

Hypothesis referring to the information sources is partially verified, on the first place as a information source beeing placed as the same as the case of the enounced hypothesis - the dentist advice, followed by the communication with family members. Communicating with friends is still surpassed by source of information represented by the sites of cabinets and specialty clinics.

Hypothesis on the fact that there is manifested a clear preference for drinks or acidic foods, is disproved by research results that reveal a rate of about 57% of consumers said they like to consume acidic foods or drinks.

Also a significant percentage of about 69% said it does not matter when buying a food if it has potential damage to teeth

Thus it can be observed that romanian consumers doesn't correlate care for dental hygiene with care for consumed food

In terms of the regular schedule of meals the research reveals that approximately 69% of consumers do not have a regular schedule of meals (3 meals per day, at appropriate times), which refute the hypothesis advanced, the number in question is substantially above the projected (40%).

On tooth brushing, most people said they used dental brush twice a day (67 % of respondents), while the percentage of those who brush their teeth several hours after eating is also substantial (44%), being immediately followed by that of those who brush immediately after eating (39%).

Regarding the type of toothpaste used it is obvious the use of fluoride toothpaste being still sugestive for the consumers culture the result of 28% of those who did not know how to specify the type of toothpaste used.

This can be explained either by a lack of consumer interest or by lack of basic knowledge about these products.

In this regard, the percentage of 65% from the number of respondents that are aware about other hygiene methods besides tooth brushing represents a surprising element in the context of the lack of informations revealed by the previous answers.

The methods used for the dental hygiene can be grouped on a scale from 1 to 5 depending by the weighted scores at the level of the entire sample as follows:

- tooth brushing – 4,432
- chewing gums – 3,208
- mouthwash – 2,844
- dental floss – 2,199
- regular professional scaling – 2,066
- dental toothpicks – 1,909
- pression mouth washing – 1,369

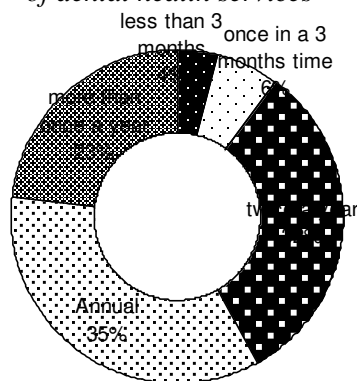
One can observe a pretty high popularity of chewing gum, which is relatively easy to explain if we see that 63 % of the sample ranged in age groups under 35 years.

Because of the extremely intense promotion, these products have been widely accepted as a possible method of keeping the health specific to the youth consumer culture.

In terms of the hypothesis on the visit to a dentist, it is confirmed by the fact that the main reason (for 76% of the cases), was a dental treatment.

In terms of frequency of consumption of dental health services, it reveals that 35% of respondents go once a year at a dental office, followed by 32% attending a cabinet twice a year.

Fig no3: Frequency of consumption of dental health services



Source: Own survey

Habit on dental health care consumption with family or acquaintances reveals that most go to a dental surgery alone (68%) or usually do not have a specific (13%).

Regarding the opinion about the problems which in turn can produce a state of poor dental hygiene can be seen as asignificant number of respondents are aware of a number of diseases may occur is - infectious, digestive and heart that even in following a poor dental hygiene.

Habit that refers to dental health care services consumption with family or acquaintances reveals that most go to a dental surgery alone (68%) or usually do not have a specific habit (13%).

4. Conclusions and final considerations

Research has revealed a series of sometimes conflicting issues relating to perception and consumer habits in the context of maintaining and promoting an adequate dental hygiene.

It can be observed a true mix of factors both exogenous and endogenous that determine nowadays romanian consumer behaviour regarding to the issue of dental hygiene

There is a general concern directed to health and hygiene, but we can not see a strong motivation for consumers to follow a model of their own dental health approach effectively and consistently over time.

As we stated in the preamble of the present article, habits could be seen as individual's aquisitions that crystallize themselves in time , whose influence require a sustained educational effort.

Romanian consumer of dental care services needs to be educated. Acceptance of a set of rules in developing consumer habits and dental hygiene maintenance implies the existence of a strong motivations of individuals.

In this respect especially dentists but also the rest of medical staff from a dental office must try different methods for motivation of the clients in order to obtain a correct dental hygiene. Thus they can use a rational motivation (presenting other diseases caused by a poor dental hygiene, higher costs for dental treatment than in case of dengal hygiene, etc) or a motivation built on

affective elements (the status gained within social groups of interests through a proper hygiene and a healthy teeth, self – assessment as individuals, the pleasure of having fresh breath, etc).

Choosing the proper ways to motivate patients related with oral hygiene must be carefully established. Thus Janis Irving și Feshbach Seymour issued a hypothesis that the audience of a certain individual that communicates becomes highly motivated to accept his allegations if it is used a default level of fear (an introduction of a emotional tension).[3]

Through their experiment specialists have shown that the overall effectiveness of a persuasive communication will tend to be reduced by using a strong fear appeal, if evoking a high degree of emotional tension without adequately meet the need for reinsurance.

Same authors, Irving and Seymour, conducted an experiment for recommend a good hygiene of the teeth. There were three situations, each of the messages containing some informations about the causes of tooth destruction and recommendations on hygiene practices in this regard.[5]

The message which was intended to induce fear at high levels was reporting to the subjects that dental infections can cause secondary infections, leading latter to paralysis, arthritis or even complete blindness.

The moderate message was focused on describing the current dangers of poor hygiene of the teeth.

The third message, which induces a low level of fear was focused on basic information about the growth and functions of teeth. The two researchers have found that the most efficient way to induce a proper dental hygiene at the level of the subjects belongs to the message of fear at a reduced rate. They argued that the message which induced a high level of fear produced anger to the subjects and a state of defensive avoidance (they become so frightened by this message that prefer to avoid thinking about the whole issue).

So this is why, in order to develop proper communication and relationship strategies for dental offices we recommend the construction of messages that are inducing

an optimum level of emotional implication on behalf of the consumers.

Also we have to remember of the extrinsic and intrinsic level of motivation.

Intrinsic motivation refers to internal rewards obtained by the individual, in terms of personal satisfaction that motivates him to act in a certain way because of his own interests and pleasures.[5]

In the case of dental hygiene, promoting pleasure asociated with a fresh breath, perfect teeth, etc, it may represent an example of emotional motivations, while communicating idea that it has to preserve a perfect health state may represent a possible cognitive type motivation.

Creating a proper marketing strategy at the level of dental offices requires an effective framework build on complete consumers profile.

The behaviour of dental care services consumers is dynamic and it has at his core the emotional bounds between consumers and their self image. In order to examine this type of interactions, a multiple effort of marketing research has to be done.

From this respect the present research has it's own limits on one hand because of the limitations imposed by online technology and on the other hand because is the first attempt to investigate the complexity of dental care sevrices consumer habits regarding dental hygiene.

The results of the research has to be validated on a larger scale both at the level of a bigger national sample (arround 3500 respondents) and also from the temporal perspective.

After a series of repetead research, the agregate conclusions may describe efficiently the dynamics of consumer habits.

Still at this level, the conclusions of research are valuable for designing promotional programmes for dental offices in order to reach different level of consumer motivation.

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Corporate Social Responsibility within Credit Institution in Romania

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Abstract

Corporate Social Responsibility (CSR) was long viewed as a costly or charitable measure on the short-run but now it is considered an asset worth having on the long-run. Credit institutions take on a significant role in the process of financial intermediation in the Romanian economy (a bank-based system). For this reason, CSR within these credit institutions is of great concern not only for the individuals but for the whole financial system (an important element to ensure financial stability and avoid systemic risk). In order to evaluate the level of involvement of Romanians' credit institutions in CSR areas, this study used the content analysis method on the annual reports for a panel of five representative banks.

Key words: corporate social responsibility, credit institution, social awareness, report

J.E.L. classification: G20, G21

1. Introduction

Corporate Social Responsibility (CSR) was a virtually unknown concept for many policymakers more than a decade ago. Nowadays it is a subject of debate not only for the insiders of a company but also for the outsiders. Although the concept is found under different names (like Sustainable Responsible Business, Corporate Citizenship, Corporate Conscience, Social Performance,) what is of great importance is the core meaning of it.

The occurrence of the recent economic and financial crisis has opened numerous debates concerning the responsibility of the financial institutions and the transformations required to guarantee the stability of the global financial system. This is especially the

case of the Euro Area where banks are the primary source of financing for the real economy. For this reason, defining and enforcing CSR within their strategic structure is of great importance. In elaborating their strategies, financial actors must consider and measure the impact of their different actions in order to achieve not only a good market position but also to preserve social welfare for all partners involved.

In this context, the main purpose of our paper is to set out a framework for analyzing and thinking about the core meaning, the advantages and the direction of specific practices regarding CSR in a company in general, and more specific in credit institutions. The paper focuses on some specific cases in Romania.

The remainder of the paper is organized as follows: in section two, the paper realizes a brief survey of the literature regarding CSR and focuses on the common ground, previous conceptions and theoretical approaches. In section three we highlight several CSR practices of some credit institutions in Romania. The final section of the paper is reserved for summary and conclusions which draw attention on the most important aspects of the paper and some lessons to be learned.

2. Brief survey of the literature on corporate social responsibility

Research undertaken in the field of corporate social responsibility abounds but the results and conclusions differ and are sometimes contradictory from one author to another, depending on the approach. The methodological approach, the countries analyzed or the length of the research have a big influence on the results. Nevertheless, trying to establish a clear and strong definition of the concept may in turn lead to a failure in

its clarification; ironically, over time, the approaches and interpretations of the concept multiplied instead of simplifying making the task of determining a single definition of CSR a real challenge. For this reason, we will address only some of the definitions that we have encountered in our research and that offer a wider and more comprehensive view on the CSR phenomenon.

From an **evolutionary approach**, the concept CSR appears for the first time in the economic literature in the early 1950' in the writings of Howard R. Bowen. Bowen, also known as the ‘the father’ of CSR, when speaking about *social responsibility* referred to it as the ethical obligations that the companies have towards the society and the environment [3]. There has been some debate as to whether CSR is such a novel phenomenon at all. From a historic point of view, the concept of CSR had already known considerable interest in the 60s and 70s thanks to a broad range of papers (among them, the most cited are [4], [1]). Although the topic almost vanished from the literature in the 1980s [5] it seemed that it resurfaced forcefully over the past 15 years as a response to the public concern regarding the process of globalization and economic restructuring.

Figure 1. Developments in CSR related concepts



Source: [12], Authors' illustration

The 1990s were marked not only by the rising importance of CSR but also by the “birth” of a new concept, *corporate governance* (CG). Given the fact that CG deals with the entire network of relationships between management, board, shareholders and the other stakeholders, CSR is just a piece in a puzzle (but no less important, nevertheless). Other concept often debated is

corporate citizenship (CC). CC is the contribution a company makes to society and the environment through its core business activities, its social investment and philanthropy programs, and its engagement in public policy. A more comprehensive evolution of the terminology can be viewed in Figure 1.

If we were to take an **explanatory approach**, in the literature regarding CSR we often encountered ourselves with a variety of definitions, which often are in contradiction to each other. Donaldson [6] considers CSR as a contractual obligation that the companies have towards the society. Because the companies are in the spotlight of the society (given the fact that they employ human and natural resources), the latter has implicit *social rights*, i.e. for the society has the right to demand compensation from the companies that exploit their resources for productive purposes.

Wood [17] describes three levels of analysis of the concept: *institutional*, *individual* and *organizational*. We can add to this analysis a fourth level proposed by Hockerts and Morsingwhich [11], which they characterized it as *global*.

Another important opinion is that of Elkington [7] for whom the social responsibility of a business entity is three-fold: to create *economic value* by being profitable; to create *ecological value*, by engaging in activities that are beneficial for the (natural) environment; and to create *social value* by engaging in activities that are beneficial to life and the society/community (also known as the ‘triple bottom line’ of ‘people, planet, profit’).

After a thorough examination of the economic literature one can distinguish two important approaches that are, to a certain point, opposite: the “stakeholders approach” and the “shareholders approach”. The “shareholders’ approach” disregards CSR activities because the sole purpose of a company is to obtain profit, thus maximizing the wealth for the shareholders. As to the “stakeholders’ approach”, CSR initiatives are welcome and encouraged given the fact that not only the shareholders are involved in the activity of the company but also other parties too. In the 1970’, Milton Friedman was an important promoter of the “shareholders’ approach”. In the words of the economist

“the responsibility of firms and their management is singularly defined by reference to the need to make choices that maintain and enhance shareholder value within the framework of the law” [10]. Nevertheless, after 1980’ the “stakeholders’ approach” changed Friedman’s point of view converting him into a sympathizer of this theory.

There are **institutional approaches** too. A UK report on CSR aimed essentially at businesses, states that: “We see CSR as the business contribution to sustainable development. There are many definitions but we are all talking about how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and minimizing the downsides. But we are not talking about altruism – CSR should be good for long-term business success as well as good for wider society” [18: 3].

In 2001, the European Commission published in the Green Paper [9: 8] the following: “Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders”. Thus, this legal document became a common European framework for CSR with the main objective of facilitating the implementation of the strategic objectives expressed in the Lisbon Strategy. On October 25, 2011, the European Commission has published a new document on CSR that attracted a lot of attention first of all through the new definition and secondly for the fact that CSR it’s not just voluntary and the interests of stakeholders and shareholders are issues which have to be considered in equal measure. The new and simpler definition that EC has put forward treats CSR as “the responsibility of enterprises for their impacts on society” [8]. Thus, through the new approach EU aims to create “conditions favourable to sustainable growth and employment generation in the medium and long term”.

In **Romania**, as in many transition countries, the concept CSR appeared only after 1990’s when many NGOs were set up. Because international public or private institutions were involved, one can say that Romania ‘imported’ *social responsibility* from the outside. The Romanian economic literature regarding the concept CSR is scarce

(e.g., [13], [14], [2]) and this aspect reflects itself in the business environment. Thomson Reuters registers just one ISI article on the subject of CSR in Romania [15]. A major role in the process of information dissemination of the concept of CSR through events, actions and seminars played the American-Romanian Chamber of Commerce (AmCham). Not only that, but AmCham developed several sound projects in the field of social responsibility [16].

From our point of view CSR can be defined as the company’s contribution, active and voluntarily, to the well being and the social, economical and environmental improvement of the society, as its objectives are focused upon competitiveness and obtaining added value.

3. Credit institutions and CSR actions in Romania

Because financial institutions take on a significant role in the process of financial intermediation they are considered to be important players in the financial system, especially in the Euro Area (where banks are the primary source of financing for the real economy). Episodes of financial turbulences that occurred in history like the credit institutions’ crisis in USA at the end of the ’80, the crisis in East Asia at the end of the ’90 and the fall of Enron and WorldCom have shown us the importance of a sound CG and CSR. The lessons draw then must not be forgotten.

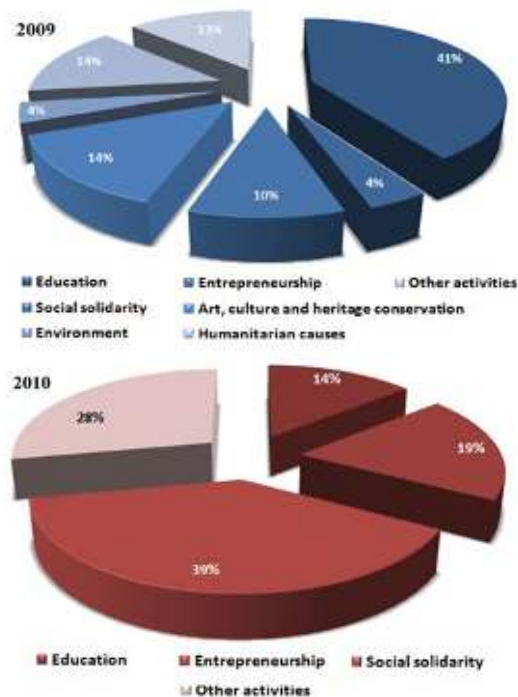
Regarding the technique used in this study, we considered a content analysis to identify and describe patterns in the annual reports, on the web sites and other media sources regarding a specific sample of credit institutions in Romania. Content analysis is a research tool focused especially on the actual content and internal features of media.

The *Romanian Commercial Bank* (BCR) is one of the most important credit institution in Romania managing assets worth over EUR 16 billion and with activities ranging from universal banking operations (retail, corporate and investment banking, treasury and capital market operations) to activities regarding leasing, housing bank and private pensions. According to the banks’ CSR policy, social activities are considered to be important investments on the long run because they

contribute directly to the sustainable development of the community. For this reason, BCR's strategic directions regarding social or community projects are oriented in the following specific areas:

- **Education**, with the two sub-components: *financial education* and the *access to education* of children from disadvantaged families;
- **Entrepreneurship**, focused on two sub-components: *entrepreneurship education* and *encouraging the entrepreneurship initiatives of NGOs* so they could achieve financial independence and accomplish their goals;
- **Social solidarity** within matching campaigns, where employees of the bank donate money for a social cause and BCR doubles the sum.

Figure 3. CSR related expenses made by BCR in 2009 and 2010



Source: BCR, 2011, Authors illustration

In May 2011, BCR published the first extended report on corporate social responsibility according to the guidelines of the most important standard in the field, the Global Reporting Initiative, GRI-G3, level B. As reported by BCR, starting with 2009 a budget of RON 4,8 millions was directed especially to areas such as education, entrepreneurship and social solidarity but also to activities in the fields of art, culture

and conservation of the patrimony (see Figure 3). In 2010, the strategy for CSR actions was revised and the budget of almost RON 3,6 millions was directed to the three main areas mentioned above.

The *Romanian Bank for Development - Groupe Société Générale* (BRD) is the second bank in Romania in size with an average market share of 20% and capitalization of over EUR 5 billion. As stated by BRD in the Annual Report for 2010, *social and environmental responsibility* is accomplished at the internal level through responsible human resource policies, and at the external level through the minimization of the impact that the banks' activities have on the environment and through projects of involvement in the community.

In order to contribute to the sustainable development of the Romanian economy as well as to sustainable performance, BRD has decided to adopt specific CSR strategies, namely:

- **Responsibility towards the community**, with three sub-components: *education*, *fighting school abandonment* and *professional insertion* of people excluded from the labour market;
- **Cultural patronage**, with activities focused on *modern and contemporaneous art*, *conservation of the Romanian patrimony and classical music*;
- **Sports partnerships**;
- **Environmental concerns**, with special attention to the optimization of consumption and professional travelling, energetic efficiency of the buildings and lowering the negative impact of IT activities.

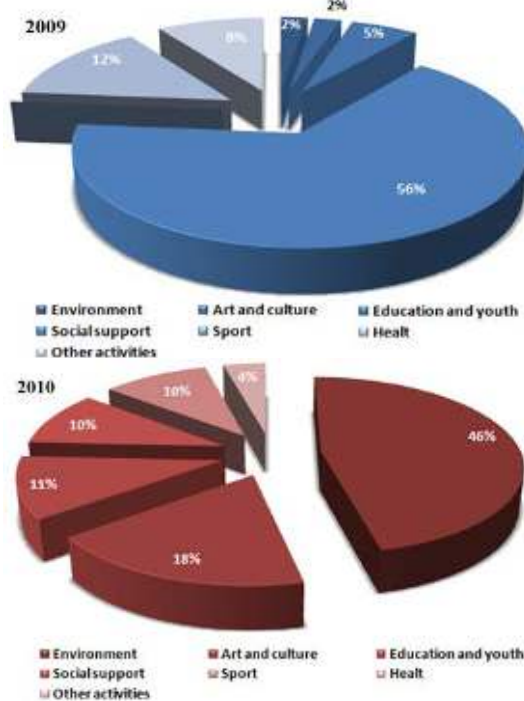
The BRD's budget for CSR actions in 2010 was mainly focused on partnerships in the areas of **sports** (rugby, tennis and cycling) and **culture** (national and international festivals, traditional events, classic music concerts etc.). Other important areas, but with lower budgets than the previous, are **education** (for children without material possibilities, abandoned children and children with physical or mental handicap) and humanitarian projects.

Raiffeisen Bank is the third bank in Romanian in top five in terms of assets held. According to the banks' CSR policy at the foundation of social involvement (in individual projects of partnerships) lays the

community. In its activities, the bank encourages its employees to get involved in team projects and voluntary actions. The main focus of the bank regarding CSR activities is oriented towards: Romanian art and culture, education (financial and non-financial), environment protection, promoting sport as a healthy way of life and supporting the disadvantaged social class.

In 2010, the bank has published its first report on CSR where one can find an evaluation (performed using the LBG methodology) of the projects with impact on the community.

Figure 4. CSR related expenses made by Raiffeisen Bank in 2009



Source: Raiffeisen Bank, 2011, Authors illustration

As reported by Raiffeisen Bank in the 2010 CSR Report, the budget for 2010 was RON 5,15 million (aprox. EUR 1,23 millions) and was directed towards to areas such as mentioned earlier (see Figure 4). If in 2009 the social projects attracted more than half of the banks' budget for CSR actions (56%), in 2010 the distribution of resources to the community is more equilibrated, highlighting the five main interest areas of the bank: environment, art and culture, education and youth, social support and sport.

Transilvania Bank (BT) is the nucleus of the Financial Group Banca Transilvania, group which offers various integrated

financial services like leasing, transactions with securities, investment funds, factoring etc. According to the CSR policy, BT gets involved in social activities because it wishes to build a long term relationship between the company and the community characterized by involvement, dialogue, transparency and ethical behaviour. In 2007, BT was engaged in over 160 projects in areas such as culture, education, environment and sport with a budget of approximately EUR 0,55 millions.

UniCredit Tiriatic Bank is among the first five Romanian banks with financial products addressed to individuals and authorized individuals, small and medium enterprises and big corporations. In agreement with the CSR policy, the bank undertakes its business while carrying on investments with long term results and contributes to sustainable development in a manner which is in line with the stakeholders' expectation. The main strategic elements which the bank takes into consideration in its CSR policy are: *involvement in the community, social activities, art and culture, protection of the environment and education.*

4. Conclusions

Regarding the theoretical approach of CSR, we can conclude that there are sides that tend to emphasize the avoidance of harm and the achievement of sustainability. On the other hand, for others, CSR necessarily entails actively seeking to achieve positive change. Nevertheless, the CSR concept generally refers to transparent business practices not only in compliance with legal requirements but also based on ethical values, and respect for the people – both the individual and the community – and for the environment in which the company activates.

Credit institutions take on a significant role in the process of financial intermediation in the Romanian economy (*bank-based system*). For this reason, CSR within these credit institutions is of great concern not only for the individuals but for the whole financial system (an important element to ensure financial stability and avoid systemic risk). In order to appreciate the level of involvement of Romanians' credit institutions in CSR activities a panel of five banks were analyzed focusing our attention on the reporting activities of these banks and media

information. The results show that there is a high involvement of these banks in CSR activities (some banks with considerable budgets) and the impact on the community was positive and well appreciated by the media. Nevertheless, there is much more to be done if we were to compare the involvement of Romanian credit institutions in CSR related activities to European institutions. The results also reveal the fact that the Romanian credit institutions focus their financial resources towards the following main areas: education, culture, environment, social, sport. One credit institution which differentiates itself in terms of budget allocation and the CSR portfolio is BCR. It is also the bank who in May 2011, published the first extended report on CSR according to the GRI-G3 guidelines.

This paper represents an ongoing research. Because in our analysis we investigated the data from only five credit institutions the results are scarce and we cannot generalize them to Romania. Nevertheless, we consider this pilot research a launching platform for a more comprehensive investigation in the field of CSR in Romania.

5. Acknowledgment

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Epistemological Considerations on Complexity Economics

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Abstract

Subject of numerous recent debates among economist researchers, complexity economics takes a whole new approach regarding economics, namely a holistic one. Although the phrase ‘complexity economics’ is recent, the holistic approach is however not a new subject, the ideas referring to economic systems being continuously sculptured for hundreds of years. Undergoing an incursion in time, we find a series of ideas which precede the complexity paradigm in economics. Leaving it up to the experts in management and marketing to describe the concrete aspects regarding the organization and markets mechanisms in the new era of ‘turbulence’, our attention is brought to the general economic theory, an unlimited source of fundamental ideas on any subject regarding economics. From here on in, one could easily transgress to new functional economic sciences, such as management, which has been listing among its latest preoccupations the identification of alternative management models, based on chaos theory.

Key words: complexity economics, complexity theory, holistic view.

J.E.L. classification: B25, B41, B53, Z13.

1. Introduction

Complex systems are naturally formed in an economy. They are composed of multiple elements, adaptive and reactive to the patterns which they create within the system^[1]: economic agents continuously adapt their market behaviour, their buying decisions and the prices on the market. Also, they continuously adapt their expectations regarding the new situations which all their individual behaviours have conjunctly

determined by their aggregate action over the ensemble. This is how the economic agents play roles of key elements of a system as complex as the economic one.

The systemic view which suggests deducing the properties of the components by conducting a qualitative analysis of the whole has ‘caught on’ with renowned economists, such as Nicholas Georgescu-Roegen. He destroys the myth of the neoclassical economic model, based on the paradigm of Newtonian mechanics and the one of homo-oeconomicus via perpetuum mobile. The rational analytic undertaking which the standard economic theory presumes mutilates the image of the whole. The uncertain character of reality enables us to consider complexity and knowledge two major challenges of our times. In an era in which acting in uncertainty becomes the only certitude, instability and change make the efforts of orienting towards stability and equilibrium pointless.

The neo-liberal ‘normality’ erroneously considered economic activity to be a circular movement dominated by equilibrium. Self-regulation seemed to occur independently and the market was seen as a mechanism dominated by perfectly rational agents, capable of processing complex mathematical calculations in order to precisely establish the utility of a certain good. Not few were the voices which considered that the ‘classical’ homo-oeconomicus completely lacked the concreteness of the complex environment in which he shallowly lived, dehumanized, as an empty abstract entity^[2]. A more realistic view presents the individual not so much as a selfish being, as that rational machine which only acts in its own interest, but highlights its human side. The man is a social being who interacts with its neighbours, a being capable of feelings such as altruism, good will and empathy.

The first law of thermodynamics: 'nothing is lost, nothing is created, everything is transformed' was the one which nourished the standard economist's obstinacy to present the economy as a pendulum movement which, from unlimited resources and through a reasonable price, can self-regulate and 'conciliate' the demand and supply. The equilibrium is nothing but a temporary state of the economy at a given moment. The economy is seen as a continuous flow, a complex system in which multiple equilibria are established at certain points in time. Thus the neoclassical equilibrium proves to be an erroneous conception. From the simple acknowledgement that the economy is complex, Holt, Rosser and Colander claim that the neoclassical era of the economic theory has sunk; a new era is arising: the era of complexity economics^[3].

2. The economic system - a complex system

A system can be considered complex 'at the point in which it presents a certain type of order as a result of the interactions of numerous heterogeneous objects'^[4].

In describing the complexity view, Arthur, Durlauf and Lane^[5] emphasize six characteristics^[6] of the economy, the coexistence of which makes it difficult to use traditional mathematics in the attempt to find explanations to socio-economic phenomena. These are:

- *Dispersed interactions* – the phenomena which occur within the economy are determined by the interactions between dispersed heterogeneous agents who act parallel to one another. The action of every agent depends on the anticipated actions of a limited number of other agents and also on the aggregate state which these agents conjunctly create;

- *The absence of an universal regulator* – no global entity controls the interactions. Instead, the activities of control are ensured by the mechanisms of competition and coordination between the agents. At the same time, there is no universal competitor, a singular agent who has the possibility to profit from all the advantages existing in the economy at a certain moment;

- *Cross-functional hierarchical organisation* – the economy embeds numerous levels of organisation and interaction. The elements within any level (behaviours, actions, strategies, products) serve as 'bricks' which help build the elements on the next higher level. And the organisation in its entire structure is more than just hierarchical, integrating various types of transversal interactions between levels;

- *Permanent adaptive character* – the behaviours, actions, strategies and products are corrected as the individual agents interact and gather experience, the system adapting itself constantly to new changes;

- *Perpetual innovation* – niches are continuously created by new markets, new technologies, behaviours, institutions, even the activity of filling up a niche being able to provide for new niches. The result is undisrupted, perpetual innovation;

- *Dynamics outside equilibria* – because new niches, new potentials and possibilities are continuously created, the economy operates far from a state of optimum or of general equilibrium. At the same time, improvements are always possible and occur regularly;

Authors call the systems characterized by these features *nonlinear adaptive networks* and give examples such as the nervous system, the immune system, ecosystems and also the economies of states worldwide. These systems do not act by the stimulus-response principle, but they anticipate. The economic agents 'form expectations, build models of the economy and act based on the predictions generated by these models'^[7], the mechanism running on the fact that its elements mutually generate themselves.

Also, they bring into attention the obsolescence of linear reasoning and of the system of differential equations, choosing to outline instead the increasing importance and necessity of 'new categories of mathematical combinatory and stochastic processes at the level of the population, in combination with computational modelling'^[8] which can capture the processes from which structures at different levels of organisation emerge.

3. An incursion in time

Given the methods it uses, the standard economic theory is a conventional science^[9]. It captures a phenomenon as complex as the human action, simplifying its complexity by identifying analytical structure models; it appeals to reductionism, abstracting the economic reality with mathematical equations. The models are tested by comparing the predictions with empirical data, using statistic tools and techniques. The models are generally static and linear, with unique, determinist solutions. The way reality is simplified with these formal mathematical models produces countless errors and omits essential elements which only informal knowledge can capture.

In order to understand highly complex phenomena alternative methodologies need to be found, methodologies based less on the analysis of the structural elements and more on the identification of iterative processes and patterns which are formed within complex systems. Human action – complex phenomenon – constitutes the object of the economic science, whereas the individual – autonomous agent – is the subject of the economics. The components of these complex systems – the individuals – have unpredictable behaviours but interact with one another determining large scale changes of the whole. These changes take the form of nonlinear processes which repeat themselves at certain periods of time, forming patterns or behaviour models which can be predictable. The models used are nonlinear dynamic mathematical models which generate multiple possible solutions. These open models do not have a unique deterministic solution as the model based on the neoclassical general equilibrium does. Every solution depends on the initial conditions, but also on the path which the model follows (path dependency).

Starting from two concrete examples: the theory of endogenous economic growth based on increasing scale returns and the Schumpeterian multiple equilibria, David Colander^[10] considers that numerous economists have understood the implications of the complexity view in the economics from the very beginning of its materialization as a science, but have concurrently accepted their limits regarding the lack of the

necessary tools to scientifically formalize and validate their conclusions.

Constantly having objections to the orthodox economic theory, the heterodox schools of economic thought present numerous affinities with the modern school of thought based on the complexity view in economics and can be considered, from this point of view, the predecessors of the Santa Fe School. Although they have countless points in common, the new school does not have its origins in the heterodox schools of economic thought, but represents a development of the orthodox economic theory. It is being perceived as a natural evolution of the latter, a reaction of the economic theory to technological changes^[11].

In the attempt to identify the origins of the complexity view in economics, we consider it a stop to the first liberals to be inevitably. Cantillon is the pioneer, opening the path which many liberals more or less consciously follow. Among its most honourable followers are Adam Smith and William Stanley Jevons. However, we do not want to leave the impression that we place Cantillon as the predecessor of the Smithian theories, in all their complexity.

In *Essai sur la Nature du Commerce en Général*, book considered by William Stanley Jevons to be the starting point of political economy, Cantillon characterizes the economy as a system of circular flows of production, distribution, consumption and of reciprocally interdependencies between these factors, less under the influence of the visible hand of property and more under the influence of the invisible hand of the market. The market itself is driven by consumers whose choices are directly reflected in the market prices, which send signals to the entrepreneurs. The entrepreneurs are in turn motivated by their own interests of gaining profits, markets shares and maximizing production^[12].

By emphasizing the added value and the scale increasing returns, the author of *The Wealth of Nations* has shown affinities with the complexity theory long before the new scientific discoveries enabled a development of this view. The metaphor 'invisible hand', used only three times in the entire work of the great theorist considered to be the father of economics, refers to that social mechanism through which the individual ambitions and

interests are driven towards the satisfaction of the needs of the entire society, even if the individual actions were not consciously benevolent.

Advocate of the thesis of spontaneous economic development, Adam Smith states that 'any individual, as long as he is not breaking the law, is completely free to pursue his own interests and to put his activity, as well as his capital in competition with the activity and capital of other individuals' ^[13]. The question here is if the market does not somehow restrict the freedom of the individuals, if it is not a factor of cancellation rather than one of affirmation of the individual liberties. In the view of the liberal line of thought, the laws of the market are objective relations, very much alike the laws of nature and the forces of the market are alike the forces of nature. Although the forces and laws of the market can exclude certain possibilities for the individuals to satisfy their needs, this does not mean that the market is a barrier to human freedom, but that the individuals are confronted with their own incapacity to obtain what they want. In the liberal view, the market mechanisms are objective mechanisms of coordination and evaluation, impartial and extremely useful to the economic activity ^[14].

Representative figure of the classical school of economics in its maturity period, John Stuart Mill has brought numerous contributions to the economic theory through his humanistic view, but especially through the clear distinction line which he made between the social laws of the distribution of revenues and the technical laws of production. The great economist has the merit of having distracted the attention from the theory of value based on labour. Regarding the affinities with the complexity theory, his theories based on the law of distribution of revenues and path dependency prove that this theorist had a view of complexity economics.

Although generally presented as a classical economist, Karl Marx ^[15] did not share the ideology of the orthodox economic theory. Although he has the merit of having emphasized the influence which the state of society in its entire structure has upon the individual's rationality, Marx can not be considered amongst the predecessors of the complexity theory for the mere fact that

because of his theories regarding social exploitation, he did not recognize that the social relationships evolve with the purpose of maintaining the stability within the economic system.

The phrases 'spontaneous order' and 'natural order' give a certain pleasant tune to the liberal speech. This, along with the security feeling given by the understanding that everything is embedded in a divine project – the nature – make the legacy of classical liberals and their followers, namely the economic science, an optimistic one. Bridges to and from physics, biology or maths relating to economics prove durability. We apprehend, on the one hand, the opening of the liberal speech towards an interdisciplinary view, but above all we have to underline the interdisciplinary opening towards schools of different periods of times.

Exponent of the second generation of the Austrian school of economic thought, Friedrich Hayek introduces the expression 'spontaneous order'; he understands the nature of complex phenomena and correctly associates them with the economy ^[16]. By emphasizing on spontaneous order and by seeing prices as systems of storing information, the representative mind of the Austrian school can be considered a predecessor of the complexity theory in economics. The author explains the 'organised complexity' as being 'dependent not only on the properties of the elements which compose it but also on the relative frequency with which they occur and especially on the way in which they interact with each other'.

Evolutionism, as a theoretical approach in economics forms the basis of the dynamic analysis based on biological concepts. The principle the advocates of the evolutionist theory embrace is opposed to the standard economic view of static equilibrium and reveals the idea of 'living organism', of 'living moving force', concepts particular to the complexity theory. According to the laissez-faire principles, a competitive market guarantees that the natural mechanism of selection from the Darwinian theory leads to an efficient allocation of resources, because the firms with a reduced profitability are forced to leave the marketplace, while the more productive ones survive on the same market.

Getting closer to the present time, we are being unveiled the relevance of the natural laws and of the 'laissez-faire' principle to neo-institutionalism, the modern school of economic thought which analyzes the processes based on which institutions evolve. Amongst the ideas of neo-institutionalism and the complexity theory a series of common points can be found, especially in terms of methodology: both schools of thought concentrate on the economic processes and not on the analysis of equilibrium, on the formation of behavioural models and patterns and on the study of human society in its whole, seen as an institution. For neo-institutionalist theorists the organization, the institution, the rule represents the unit of analysis in the absence of which the individual human action does not make sense.

In the end of our summarizing periplus, we must not forget to mention the contributions made by Philip Kotler in the application of *chaos theory* in the micro and macroeconomic environment. Witnessing the current changes which occur on the stage of international commerce, the founder of the modern 'management of marketing' conducts an analysis of the new economic stage. The countries worldwide are in a tighter interdependency, and the commerce is carried out based on flows of information which circulate with the speed of light. Beyond the undoubted advantages translated in terms of decreasing costs, accelerating production and the delivery of goods and services, this new stage has its downsides: any unpleasant event can spread itself on the same paths extremely fast, in a 'huge wave of turbulence'^[17]. In order to apprehend the turbulence of the market and its effect on the economic activity, concepts of this natural phenomenon have been revised from mathematics and physics. Turbulence is a difficult phenomenon to model and predict, despite the existence of new sophisticated computers with huge capacity of processing^[18]. Turbulence is a concept which made the object of preoccupations of physicists from the earliest times up until nowadays researches. Extrapolating, we can state that economic turbulence is defined as consisting of rapid, impossible to predict changes in the external or internal environment of the firm, which affect its

performance. The recent depression served as an example to help us better apprehend the magnitude of the impact of turbulence and the devastating chaos which it leaves behind.

In a world characterized by technological progress and revolution of computer science, disruptive innovations, the rise of 'the rest of the world', clients' abilities, the necessity of protecting the environment and the selection process of the market become all the more tough, and those who do not adapt to the coming hypercompetition^[19] are immediately eliminated.

Globalisation, the appearance of more appealing substitute products, the deeper fragmentation of consumers' tastes, deregulation and invention of new business models – all these contribute to the elimination of barriers to free access on the marketplace and to the dethronement of branch leaders^[20]. The author of the book *Hypercompetition: Managing the Dynamics of Strategic Manoeuvring*, Richard D'Aveni^[21], claims that the competitive advantage can no longer maintain itself on a long term, it creates itself and it erodes away, then it destroys and recreates itself permanently with the aid of strategic manoeuvres of the firms which disrupt the established order of the markets. In the era of turbulence the competitive environment changes its balance of forces in a spectacular way, from market leaders who wish to maintain their position to rapid assaulters who have the purpose of dethroning the formers.

4. Conclusions

From the summarizing periplus of the preceding ideas of complexity economics we understand that this subject has been long debated throughout time by numerous economic theorists. However, their hypotheses could not have been validated with the tools and methodology they had back then. However, with the passing of time, the abstract sciences have recorded remarkable advancements by the appearance of mathematical tools on computers, developed with the purpose of capturing, analyzing, outlining and developing predictions regarding the behaviour of different elements (called agents) which compose complex systems. Nevertheless,

these tools will be adopted in economics too and used in order to validate the hypotheses assumed by the economist researchers; an adequate framework will then be developed in order to help embrace and nourish this new theory in economics.

Complexity economics preserves what has been soundly proved from the orthodox and heterodox theories. We are witnessing the establishing of a new view upon economy and at the same time a progressive improvement, in terms of methodology. This new paradigm enriched the heritage of economics without abandoning the classical theories.

5. Acknowledgement

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The Economy as a Whole Living

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Abstract

Neoclassical economics, governed by the first principle of thermodynamics, based on Newtonian mechanics and centred on the rational individual, reifies the human actions and preferences in unites of measure for calculating marginal utility, determining the indifference curve and the ‘equilibrium point’. But it is exactly this wish of the neoclassic economists to formalize and abstract which will later prove to be the main deficiency of the mainstream orthodox theory. Instead, we are being proposed to adopt an organic view upon the economy and to orientate towards identifying the quality of human actions and not their quantitative coordinates.

The optics is changed under the influence of the second principle of thermodynamics, which emphasizes the fact that the economic process is irreversible and eminently characterized by entropy. Within human activities massive amounts of materials are engaged. These materials dry the planet of resources and exhaust the reserves supply for the future generations.

In the light of this new view, the purpose of economic activity slightly shifts from the maximization of production and revenues to the minimization of the entropy of personal actions and to laying the foundations of sustainable development.

Key words: bioeconomy, law of entropy, whole living, sustainable development

J.E.L. classification: B25, B52, Q57.

1. Introduction

The propensity towards reduction which characterizes neoclassic economists, tries to ‘fit’ agents’ behaviour within the market in abstract formula type stimulus-response

which describes individuals who always act objectively, based on the most rational decision and in their own interest (which is always the optimum state).

Thus, static models are designed, with the purpose to determine the *equilibrium point*, models which ‘while elegant cabinet specimens of applied mathematics, largely ignore human behaviour, as understood by contemporary psychology and biology. Lacking such a foundation, they often describe abstract worlds that do not exist.’^[1]

The excessive abstracting of neoclassic economics is repeatedly criticised even by Hayek in *Individualism and Economic Order*, the economist reasoning that these methods and approaches are of use ‘only when confined to the analysis of the action of a single person’^[2] and that they do not correspond to the real market in which a large number of heterogeneous agents interact.

As a reaction to this hindrance of the standard economic theory, new paradigms and currents have arisen, which propose, in principle, an interdisciplinary view upon economic problems. Amongst them are *evolutionary economics* and *bioeconomics*.

2. Evolutionary Economics

Inspired from and based on Darwinism^[3], evolutionary theory has influenced numerous fields of research, from biology and medicine to sociology and economics. It represents the conception according to which all things in the universe are seen through their evolution in time. In relation with this idea, the notion of *path dependency* emerges in complexity theory, expressing the strong bond which exists between current events and the prior evolution of the phenomena which led to the present state. The importance of history is defined with reference to the light which it can shed upon current phenomena, as well as

to the fact that it stores previous experiences and decisions. And depending on the comprehension and interpretation of these experiences, people can base their decisions and strategies in the present.

Some authors identify two sources of path dependencies: generated by structure and generated by rules. The dependency on past structure is considered to directly influence the future structure and the dependency on rules applied in the past directly generates alterations in the property system and indirectly influences the present structure.

Darwinism emphasizes on the struggle for survival which is constantly fought in nature, the strongest individuals being those who, by natural selection, triumph and continue their existence, at the expense of the weak ones who burden the ecosystem.

On numerous occasions economists manifested an attraction to evolutionary ideas, often emphasizing parallels between capitalism and the evolutionary struggle for survival^[4].

With reference to the resemblance between the ecosystems within nature and the complex social system within the economy, some authors have even stated that 'Darwin's theory of natural selection was an economic theory, not a biological one'^[5].

The opening towards natural sciences which the social sciences and humanity show is based on the fact that human actions comprise events with physical causation, and this alliance can bring nothing but benefits which reside in a better comprehension of economic phenomena and their causes^[6].

Thorstein Veblen uses for the first time the phrase 'evolutionary economics' and produces a true revolution in the economic theory, generating numerous debates and decisively influencing the ideas of the next generations of economic researchers with his essay 'Why is Economics not an Evolutionary Science'. Rejecting biological reductionism and also methodological individualism, Thorstein Veblen highlights in his papers the influence which the whole social structure has upon the individual. He emphasizes the danger to which theorists are exposed. They can easily fall in the trap of biological, individual, structural or any other form of reductionism.^[7]

The evolutionary economic theory has developed parallel with the institutional economic one, both of them sharing the endogenous view in which the beliefs, customs and rules of the society lead to the appearance of institutions. An organic idea is hence being outlined in economics, of an economy belonging to the 'living world', with the mission to draw attention to the researchers in the field that the subject of analysis here are individuals who, although consume resources which can be quantitatively measured, essentially behave subjectively. And the interactions between these individuals determine structures similar to ecosystems, which tend not towards an optimized life, but towards a better living (in every sense).

Evolution cannot be recorded in a pure quantitative manner, it is necessary to use qualitative parameters in order to properly measure individuals' development. And these parameters should also include aspects regarding the environment.

This flaw of the mainstream theory has determined some economists to introduce new concepts with the aid of which to more properly describe the economic state at a given moment. Thus, the French professor Serge Latouche places in the centre of his analysis the concept of *economic decrease*, stating at the same time that 'in a world with limited natural resources, the dominant paradigm so far has been that of infinite growth'^[8]. A planet which is generous with its inhabitants, but equally abused, will not hinder to unveil its limits and will sanction the irresponsible behaviour of the individual guided by a sole religion: complete satisfaction of his unlimited needs. In a world in which natural resources are limited, an infinite growth cannot be accomplished.

People are invited to transform their destructive creativity in creative destruction in the Schumpeterian sense of the word. Innovation must be achieved by adopting a long term view upon reality and by manifesting consideration for the generations to come. At the same time, people have to unanimously accept the idea that the action of a sole individual has effects which propagate themselves on the market and affect the entire structure of the system, not just the immediate reality of the agent who generated the change in the first place. In this

respect biology would offer a number of introspective perspectives for the economic process.

3. Georgescu-Roegen's legacy

Sustainable development started to count itself among the main objectives of humanity with the intensification of technological development. More and more resources are being used to meet the same needs, causing at the same time the appearance of other new ones, namely that of wisely using the earth's resources so that the future generations can have access to them too.

In the attempt to theorise this perpetual consumption of resources and to explain the economic process with reference to it, economists have transgressed the limits of their field of research, entering the depths of physics. Here, many authors observed correlations between the flow of resources from the economy and the one of energy from thermodynamics, reaching the conclusion that 'the ideas and methods of analysis from thermodynamics mirror the energetic transformations which occur within society', and especially the second law of thermodynamics (or The Entropy Law, as it is mentioned by Georgescu-Roegen).

If the first principle of thermodynamics was a predecessor of the law of conservation of energy in the field of thermic processes, *the second principle of thermodynamics* was formulated as a law particular to thermic processes.

The second law of thermodynamics specifies the conditions in which the transformation of thermic energy in mechanic energy takes place; it is a customization of the general principle of energy exchange and it has a qualitative character, indicating the direction in which the spontaneous transformations take place, without referring to the quantities of energy exchanged.

A process^[9] passes from an initial state in a final one; it is *reversible* if the return to the initial state is possible so that this state of the considered system and the state of the surrounding systems are identical with their initial state. If when returning to the initial state, the state of the surrounding systems differs from its initial state, then the process is *irreversible*.

The laws and concepts of thermodynamics form the basis of the operations within the energetic systems; these 'heat' and 'power' human development^[10].

Thermodynamic laws have been and still are considered to be ones of the most lasting and comprising theories in physics^[11]. Their heuristic influence in economics have been highlighted when neoclassic economists based their reasoning under the aegis of the first law of thermodynamics, using it in order to abstract and model the behaviours of actors within the market. But the Romanian American *bioeconomist* Nicholas Georgescu-Roegen was the one who signalled the inadvertence of this law in relation to the economic reality. He sustained that exergy^[12] cannot reflect the entire complexity of the human behaviour and of the whole economic process, but that entropy^[13] (namely the second law of thermodynamics) can more appropriately reflect the reality of dissipative systems. Thus, 'the economic process is, by its nature, entropic, and the entropy law governs not only this process but also its evolution'. In other words: 'the economic process is not reversible',^[14].

Georgescu-Roegen did not make the same calculations and tautologies which his contemporaries did; he oriented towards the tools of physics and biology in order to free the individual from the rigors of mathematical models and in order to give life to the economic process, conferring veracity to it. He saw beyond the equilibrium between supply and demand and stopped upon the equilibrium of the environment in which the individual carries out his activity. Noticing that the resources which the individual extracts and exploits from nature for and in his activity exhaust the planet from the reserves destined for the future generations and affect the equilibrium of the environment, the economist proposes a holistic approach, centred on the qualitative and interdependent aspect of human actions rather than on the quantitative and singular one. Moreover, he invites us to think about a living organism which, if not nourished, but permanently drained of nutrients, gets ill, causing damage afterwards both to itself and to the individuals with whom it interacts.

The new paradigm which Georgescu-Roegen outlines is based on the premises of sustainable development, on relating to

reality and on the view upon the whole ensemble.

His ideas opened the path for research in the field of bioeconomics and signalled the primordial problem of humankind in times to come: 'the economic criterion should be in a dynamic compatibility with the social-human and ecological one when we think, analyze and interpret the economic system in its whole'^[15].

4. Conclusions

In all his actions, man uses natural resources which he introduces in the economic process, first characterized by low entropy, and produces outcomes characterized by high entropy. Throughout this process, the natural equilibrium of the environment is affected, this having repercussions on the future generations.

In these conditions, the need of a smarter sustainable development is outlined, taking into consideration the qualitative parameters of humankind and having more respect for nature and its capacities.

Nicholas Georgescu-Roegen was the first one to realize the incompatibility between the environment created by man and the natural one, thus founding *bioeconomics*. His contributions to the economic science have led to the appearance of a new paradigm, which animates the economy through a holistic optics. It approaches the individual embedded in the environment in which he lives and carries out his activity.

5. Acknowledgement

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[12] Part of the energy which can be transformed in any form of energy (according to www.dexonline.ro).

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The Pension – a Substitution Income?

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Abstract

The deficient state of the public pension system in Romania nowadays is the result of a combination between a more or less distant “yesterday” which was spotted by abuses and maybe injustice, which has been hotly debated and the present crisis. Anyway, time cannot be turned around so as to avoid them, and even if this miracle could be performed, it seems almost certain that the same mistakes will be made again. Daily life proves this to us.

As a consequence, we can only find pertinent solutions to eradicate or amend these mistakes, and institute a sort of “Salvation Arc” for the Public Pension System.

Nevertheless, in this paper we do not aim at such a grand project; on the other hand, we will focus on the “substance” of the most controversial income nowadays: the pension.

Key words: pension, equity, replacement average ratio

J.E.L. classification: H55

1. Introduction

What is the pension? Here is a question which might, at a simple glance, seem simple for many, with a simple answer but which, oftentimes, leads to what the pension *should be*. So, is the pension what it should be?

According to the definition offered by Law 263/2010 regarding the unitary public pension system [3], the pension, as a social insurance benefit, represents a replacement income granted when insured risks occur (invalidity, old age, decease), for the total or partial loss of insured incomes.

As a result, the pension must replace an income which was obtained previous to the occurrence of the above mentioned risks. To what extent should this replacement be

operated? This is a question whose answer is still not formulated in an official manner. Indeed, there are pension calculation rules, but they do not guarantee a certain percentage from the insured income.

2. An overview on pension income

However, from a logical point of view, if the occurred risks determine the total or partial loss of insured incomes, then their replacement should also be total, or partial.

The reality does not seem to respond to the same type of logic. The replacement is, oftentimes, too generous with some and too scarce with others. These two extremes outrun (as value, respectively as number) even the replacement at a medium level (see Table 1).

This inequity has been supported, for a long time, by the existence of special pensions whose beneficiaries sometimes were, paradoxically, even the deciding factors, who visibly favoured these types of pensions, and also by the “pettiness” of the population.

By virtue of the equality principle, on the basis of which the public pension system functions and is organized, this inequity should be eliminated by all means from a governing institution which claims to serve the citizen. The law 119/2010 [4] and the new pensions’ law (263/2010) [3] made a first step in this direction, by eliminating and recalculating special pensions and by including certain categories of pensions (which previously had a special status) in the unitary public pension system (public clerks and those with a special status, military men, police officers, etc.)

And yet, what could “equity” signify in the public pension system?

From the perspective of the pension’s quantum, equity involves that this quantum should be strictly connected and directly proportional to the contributions paid during

the subscription period, for all pensioners. Therefore, this obliges that contributions have been previously paid (according to the contributivity principle). It is true that the cumulated value of contributions depends on the amount of taxable income which corresponds to the active period and, accordingly, for many employees with low salaries this ensures the right to equally low pensions, but whose fault is it? Still, granting huge pensions only to some professional categories was a clear sign of discrimination, especially having in mind that they did not rely on realistic motives for any justification.

Despite all this, the relationship pension level = accumulated contributions is more particular to the private pension system based on definite contributions. In a public system based on the redistribution of contributions accumulated in the present for the payment of current pensions, this equality is practically impossible, and this is valid all the more when the amount of the pension also depends on other factors rather than on the cumulated value of paid contributions.

As far as the conditions or criteria to receive the pension are concerned, they must take into account certain particularities of the domain of activity in which the insured incomes were obtained (normal conditions, special or particular conditions, or other work conditions). They must be pertinent and they

should justify, in a real and moral manner, the difference of treatment. For instance, work in underground conditions, in a mining environment, for at least 50% of the normal work time in a month cannot be equivalent to (in terms of risks) the position of administrator in a commercial unit. Nonetheless, many criteria used before have favoured certain professional categories on rather subjective grounds.

Concerning the other rights and obligations, they must be granted or imposed without discrimination to all persons which are part of the same judicial condition (contributors and retired persons).

Equity in the public pension system is therefore indispensable in order to guarantee its sustainability and efficiency. But these two targets also necessitate an average ratio for replacing the salary by means of the pension which will ensure, after retirement, at least a living standard comparable to the one before retirement.

In Romania, between 2001-2006, the average ratio gradually decreased, and starting with 2007 up to the present it has oscillated around 50% (see Table 1). In the future, another decrease is foreseen, as a result of the increasing deficit of the public social insurance budget, but also as a result of the problems of the public pension system in general.

Table 1. Replacement average ratio pension-salary

No.	Year	Average pension of state social insurance	National net average salary	Replacement average ratio
1.	2001	131	302	43,38%
2.	2002	163	379	43%
3.	2003	187	484	38,64%
4.	2004	232	599	38,73%
5.	2005	267	746	35,79%
6.	2006	311	866	35,91%
7.	2007	399	1.042	38,29%
8.	2008	593	1.309	45,3%
9.	2009	711	1.361	52,24%
10.	2010	739	1.407	52,52%
11.	2011*	775	1.461	53,05%

Source: Own processing based on given database by Ministry of Labor, Family and Social Protection

*The average is based on first 7 months of the year

Mention should be made that from the total number of pensioners within the state social insurance system, for instance 4.745.716, on June 30, 2011, only 5,48% benefited from the average pension, while 40,68% received a pension which was above average, and the rest of 53,84% had the right to a pension below 700 RON [6]. Consequently, we deduce that for almost 60% of the pensioners the rate for replacing the salary by means of the pension has reached a maximum level of 53,05%. More than that, this inconsistency related to the evolution of the average ratio reveals an intergenerational inequity which tends to get worse at the expense of the future groups of pensioners.

Another problem which raises doubts about the fact that pensions are a replacement income is related to its calculation manner.

According to the law [3], the level of the pension is determined by multiplying the average point accumulated by the insured person by the pension point-value, which is also regulated by law. Considering that the yearly average point accumulated by contributors did not even reach the first level (excepting 2009), and the value of a pension point has reached lately only 36,4% of the average gross salary (see Table 2), it is absurd to believe that the pension is a replacement income. This is all the more valid considering that approximately 75% of the employees earn incomes below the average gross salary, while only 5% benefit from it [5].

Table 2. The weight of pension point-value in national average gross salary

No.	Pension registration year	Average point	Point value	Average gross salary	Point-value/average gross salary ratio
1.	2001	0,78405	173,5	422	41,11%
2.	2002	0,84657	212,8	532	40%
3.	2003	0,91081	240,8	664	36,27%
4.	2004	0,94322	274,6	818	33,57%
5.	2005	0,98119	295,6	968	30,54%
6.	2006	0,99505	352,8	1.146	30,79%
7.	2007	0,95884	478,5	1.396	34,28%
8.	2008	0,96392	639,4	1.761	36,31%
9.	2009	1,00244	725,6	1.845	39,33%
10.	2010	0,97575	732,8	1.937	37,83%
11.	2011*	0,96868	732,8	2.013	36,4%

Source: Own processing based on given database by Ministry of Labor, Family and Social Protection

*The average is based on first 7 months of the year

From among the group of insured persons who have retired in 2011, only 11% could accumulate the average point, while 42% accumulated a below-average point, and the rest of 47% managed to collect an above-average number of points [6]. In conclusion, more than 53% of the number of pensioners benefit from a pension which rarely reaches the value of one pension point (currently 732,8).

Therefore, is the pension nowadays a replacement income or is it just a guaranteed right at a certain age, whose quantum is uncertain?

And yet, what solutions could be taken to increase the replacement ratio and, implicitly, the pension's adjustment degree, according to the conditions of the current calculation of pensions?

One solution – equally simple and risky – could be the alternative of supplementary saving methods, such as private pension funds.

Contributions to compulsory private pension funds are estimated to supplement the pension income with approximately 10-15%, while contributions to optional pension funds will increase the replacement ratio to

80% of the average salary which corresponds to the active period [2].

Willingly or unwillingly, the uncertainty related to compulsory private pension funds had to be accepted especially by contributors to the public pension system under the age of 35. Time will tell if this “debt” will bring the expected effects.

The promotion of “active ageing” [1] could also be a solution for the accumulation of an increased score which is necessary for the calculation of pensions. Thus, from the total number of active population aged above 60, in the first semester of 2011 (729.257 people), approximately 99% included people involved in some kind of job, which is extremely favourable [5].

Moreover, the increase of the pension point could also augment the ratio for replacing the salary with the pension. Yet, once law no. 263/2010 entered into force, the value of the pension point could no longer vary arbitrarily as governing parties sometimes wished. It is increased annually by 100% from the inflation rate, to which 50% of the real increase of the average gross salary is added (until 2020), and in 2021 it will decrease by 5% a year until 2029, so that in 2030, for the increase of the pension-point value only the inflation rate realized in the previous year will contribute, with 100%. These rules no longer allow “juggling” with the pension level according to diverse electoral interests or some other types of interests.

3. Conclusions

Certainly, other factors can also positively influence the replacement ratio, but all these solutions do not guarantee an increase of the

replacement ratio, but only a hope that this thing could happen.

Therefore, the pension remains only a right guaranteed by law whose quantum is uncertain. Is this satisfactory? After a considerable number of years spent working, in which contributions are paid, is it normal that future pensioners must live in uncertainty?

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The Temptation to Exit the Eurozone in the Context of the Current Sovereign Debt Crisis

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Abstract

When a fire breaks out, we learn very quickly who is prepared to enter into that building in order to save lives and who runs away to avoid danger. The current sovereign debt crisis is precisely the kind of crisis that reveals true characters, that shows which states are prepared to enter the Eurozone and which are willing to give up the monetary union.

This paper explores the possibility that some Member States of the Economic and Monetary Union (EMU) to leave the European monetary arrangement, as well as the potential consequences, both for those countries and for the EMU.

Key words: Eurozone, European single currency, national currency, sovereign debt crisis, default.

J.E.L. classification: F15, F33, F34, F50.

1. Introduction

The Economic and Monetary Union is being tested beyond limits. The governments, particularly those of Greece, Portugal and Spain, face pressures from the markets in reducing deficits and reforming the economies. Politicians, in turn, consider rewriting the rules for joining the Euro area in order to prevent further crises.

The main vulnerability of the Eurozone, relieved by the current sovereign debt crisis, is found precisely in the institutional framework of EMU - namely, the fact that no financial support mechanism that could be activated in times of crisis was included in the EMU project. There is, of course, a strong motivation for this "negligence" - avoiding moral hazard, the risk that the

governments to exploit the existence of such a mechanism, creating debt and excessive budget deficits.

Neither had the governments proposed saving the banks during the banking crisis, nor did the Member States of the Euro area decide to save their "neighbors" during the sovereign debt crisis. However, circumstances forced them to do so, not out of solidarity, but for pursuing their own interests. Self-interest coincided with the common interest, in that most Member States (even Germany) understood that the survival of the Euro area is vital for the further development of individual countries.

2. Exiting Eurozone

The crisis which broke out in 2007 is exactly the kind of asymmetric shock which the euro-skeptics warned us against and emphasized by the theory of optimum currency areas. The level of house prices fell down throughout the entire Euro area. The crisis meant big losses for the banks around the area. It also caused the increase in the rate of unemployment. The result was deflationary and inflationary pressures. This meant a greater pressure on the public finance in some Euro area Member States, reflected in increased sovereign bond spreads or increased credit default swaps (CDS).

In this context, some Euro area countries would probably prefer another response from the monetary policy. But EMU members are bound by a single policy, which characterizes, in fact, the monetary union. This tension brought on the agenda the debates regarding the appropriateness of creating the monetary union in the first place. It also generated speculations on the possibility that some Member States to abandon the Eurozone.

The temptation undoubtedly exists. Policymakers in the countries with the lowest domestic demand can imagine how, if they still had a national currency, they could depreciate it in order to encourage exports. Also, the countries that face problems regarding government bonds can imagine how, if an independent national central bank still existed, it could ultimately buy the sovereign bonds.

But for each of these arguments supporting the reintroduction of the national currency, there is a counterargument. Currency depreciation would create tensions in the European Union. The partners of the country using this monetary policy instrument would feel that the country is not only exporting its goods and services, but also its problems. This assertion can be proved by the reaction of the other EU countries to the depreciation of the sterling pound against the euro. The economic crisis, like all recessions, has increased the pressure on the governments to support domestic producers through concessional loans and subsidies. Handling the exchange rate and devaluing the currency could risk Europe's economic objective, which is creating a real single market in which EU producers to compete on an equal footing.

In addition, a country that unilaterally abandons the euro for a competitive advantage could jeopardize its EU membership. That country would no longer be welcome within the negotiations on EU policies. The Lisbon Treaty contains a clause according to which Member States can leave the European Union, but there is no clause governing the exit from the Euro area. Thus, in order to exit the Eurozone, Member States would have to give up the EU, thus repealing the full range of obligations stated in the Treaty. Although nothing prevents this, given the importance that the Europeans attach to the union, it is a decision that any Member State would give a lot of thought.

In 2000, Romano Prodi, at that time president of the European Commission, explained the possibilities for an EMU member country to return to its own currency. According to the young official, abandoning the euro would be possible in exceptional circumstances, provided it does not adversely affect the European Union. "Exiting the EMU and thus returning to their

own currency would not necessarily mean leaving the EU. It may, therefore, infer that the EMU would prove a degree of flexibility and reversibility, which, in reality, is still difficult to represent in terms of expected costs and benefits and the procedures to follow, given the long and complex period of preparations for setting up the EMU" [1].

On the other hand, Jonathan Faull, spokesman of Romano Prodi, emphasized that "there are no legal clauses for leaving the Euro area" [1], which shows exactly the irrevocable and irreversible nature of the agreement regarding the monetary union. Faull also noted that "the commitment to the economic and monetary union is a significant one, which can not be treated superficially" [1]. However, this position does not exclude the theoretical possibility of a country's withdrawal from the union in special, unforeseen circumstances, which now, after more than 10 years since the statements cited above, turn out to be real.

Although the reintroduction of the national currency and the separation of the national central bank from the European System of Central Banks and the European Central Bank (ECB) may facilitate the short-term financing of the budget deficit, on the long run the financing costs would go up. Indeed, if a highly indebted country of the Eurozone is unable to pay its debts as a result of the economic crisis, it could leave the arrangement in order to resort to financing. But given that, at least so far, governments' aim has not only been that of financing immediate expenses, but also of stabilizing financial and credit relations, abandoning the Eurozone would only aggravate the problems.

The most important cases in which participants have left the monetary unions are those of countries with relatively closed economies and characterized by an underdeveloped or strictly regulated banking and financial system. The collapse of the Czech-Slovak monetary union and that of the ruble area are good examples in this respect. The fact that it did not affect the financial well-being, that the exchange rate could still be controlled and that the economies were not as open as nowadays made the decision making process possible without triggering an economic disaster. In this respect, it has been shown that open economies are less

likely to abandon monetary unions. Clearly, the vast openness of the EU Member States to trade and financial transactions of all kinds places them in this category.

Is it, however, inconceivable that a Member State to abandon the Euro area? The global financial crisis has taught us that the economic events that we once considered to be inconceivable, in fact are not. Even if it is not inconceivable, leaving the Euro area is highly unlikely. Some voices in the financial world have pointed out the fact that Germany's indignation against the current situation could determine Berlin to give up the Euro area. In turn, German Chancellor Angela Merkel launched the idea of establishing an international mechanism through which Greece or the un-competitive economies of other countries in the Euro area can be removed from this alliance, if they do not give up their irresponsible spending habits.

Stratfor Global Intelligence suggests another possibility for exiting the Eurozone, namely recreating the European Union with a different membership and establishing a new Eurozone within the new structure. According to Stratfor, "such a manipulation would not destroy the existence of the European Union; its members would simply recreate the institutions without that member" [2]. In the case of such a scenario, with a smaller Euro area, Germany's influence would, however, be even greater and the remaining members might not accept this. Thus, according to Stratfor, if France and Benelux would reconstruct the Eurozone together with Germany, the German economy would have a 45.6% share in the new structure, compared to 26.8% today. The analysts of the American think tank believe, however, that the states which will be excluded from the new structure might do something unexpected when they leave: namely, they might not pay their debts to the members of the new union.

We shall further analyze two extensively debated cases on the political European scene: Greece and Germany.

3. Greece – the irresponsible

The European authorities found themselves in the unfortunate position of choosing between two "evils": the Greek

bailout and the Greek default. Bailing out Greece was seen as an inappropriate alternative in the sense that it would have meant leaving an irresponsible behavior unpunished and, thus, favoring moral hazard. Spain, Portugal or Ireland could also become a second Greece as long as an immoral behavior is rewarded with a bailout.

Why did Greece's default have to be avoided? For at least three reasons. Firstly, because of the risk of contagion spreading to other government bond markets in the Eurozone. Secondly, the Euro area banking system would have been affected. The solution that many banks chose in order to overcome the credit crisis was to borrow on short-term from central banks at very low interest rates and invest in long-term government bonds. A government bond market crisis would have meant significant losses for the banks, which would have caused a new banking crisis in the Euro area. Thirdly, if it had not been stopped, the Greek crisis would have led to the increase in the government bond yields in a large number of countries, which would have created pressure on the governments to reduce government spending, threatening to throw the Euro area into a recession twice as strong. At the same time, the unemployment rate would have increased, which would have created difficulties regarding the struggle to reduce budget deficits and public debt.

It was in the Eurozone countries' interest to save Greece (especially because of the risk of triggering a new crisis of the banking system), not necessarily out of solidarity, but for defending their own interests. We shall further see what leaving the Eurozone would mean for Greece.

American economist Nouriel Roubini, who predicted the US economic crisis a year before it broke out, said that, despite the rescue program provided by the EU and IMF, Greece and other states from the Euro area could be forced to abandon the single currency in the coming years, in order to save their economies [3].

Greece's exit from the Eurozone would ease the country's financing problems by depreciating the domestic currency and by the central bank purchasing bonds. However, the introduction of the drachma would be almost impossible because no one would accept to receive a currency which is being

introduced precisely in order to be devaluated. Capital will flow immediately out of the country, without any support, at least temporarily, from the EU, the ECB or the IMF.

What happens, therefore, if Greece abandons the euro? Suppose the drachma replaces the euro. Given that investors have very little confidence in Greece, a significant devaluation of the new currency, possibly by 100%, will take place. Many companies will withdraw their money from the country and people will start buying foreign currencies massively. Thus, the pressure on the drachma will be huge and the Central Bank of Greece will not be able to do anything about that as its foreign exchange reserve is extremely little.

How can a country pay its debts? It can print money or borrow money. The Americans can print dollars as their debt is in dollars. The Japanese can print yens as most of their public debt is internal, thus in their national currency. But Greece does not solve much by printing drachma since over 70% of its public debt is external and in Euros (and US dollars). And Euros and US dollars can only be obtained on the international market. Who and at what price would credit a country which is virtually bankrupt? In addition, the more money will the Greek print, the more will the national currency depreciate.

On the other hand, the Greek government can significantly reduce the share of public spending in GDP through inflation, thus restructuring the public sector. Basically, if the authorities print money and the drachma is devalued, prices will rise, the nominal GDP will increase and, provided that pensions and budgetary wages remain unchanged, their share in the GDP will decrease. Of course, this means that the purchasing power of the population will fall dramatically.

Greece's exit from the Eurozone may be a solution for dragging the country out of crisis, but such a measure will have disastrous effects for both the population and the current creditors, who will lose most of their money when the Greek will restructure their external debt, which is an inevitable measure.

4. Germany – the indignant

A large share of the government securities issued by Greece, Portugal and Spain are held by German and French banks; in other words, these countries were in a thankless position, whether they accepted to devise a rescue plan for Greece and the other countries that needed help or not.

Although reluctant to aiding Greece, even threatening to exclude the less virtuous member countries from the Eurozone, the first economy of the continent has no interest in the collapse of the single currency. Indeed, without the euro, Germany would face an unprecedented crisis.

Unlike the case of Greece, the reason why Germany could leave the Euro area is not to have to pay the debts of the Southern European countries, the so-called "Club Med". Technically, the German mark could be reintroduced without negative reactions from the financial markets and no outflow of capital from the country. Especially since the "European banknotes are not issued by the ECB, but the national banks of issue", such technical and practical obstacles would be minimal [4]. However, in the event of exiting the Euro area, Germany would suffer double loss: the current exposure on Club Med and, on the long run, the loss of labor competitiveness.

Before using the mark again, Germany should first withdraw its reserves from the ECB, print its own currency and then move to the redenomination of the country's assets and liabilities. Although it would not necessarily be a simple process, Germany could reintroduce its national currency more easily than the other Eurozone members. Given the reputation of the mark before the creation of the Euro area, the credibility of the Bundesbank and the German currency would be restored in no time.

Therefore, the re-evaluation of the mark would place the German currency at least 30% above the euro. These 30% would be a great competitive advantage for the French and Italian industries, but also Belgian, Dutch and Slovak. Taking advantage of the boom in their exports, the other European countries will be able to finally develop without Germany. More pragmatic than the German regarding the rebalancing of their financial sector, the French, who believe that it is

better to return to growth than to reduce costs, will ensure Europe a few years of prosperity.

What will the German do with their new mark in the meanwhile? They will find themselves in a catastrophic situation. The return of the mark will make the "made in Germany" too expensive and exports will fall. All the extra exports of France and the rest of Europe will mean lost profits for the German companies. Unemployment will rise, as well as debt, dug by the increase in the allocations that need to be paid. German growth, which relies exclusively on exports, will slow down. As the cost of labor force will rise, wages will inevitably be frozen.

The return of the mark will also raise a wind of panic among banks and insurers. The decrease of 30% in the value of all their European assets (due to the 30% appreciation of the mark against the euro) could represent a loss of nearly 200 billion euro for this sector, given that, since the introduction of the euro, Germany has raised foreign assets valuing almost 600 billion euro (due to the large export surpluses). This will happen only in the lucky perspective that these states do not default and pay their debts to Germany. Otherwise, a second wave of bank rescue plans will have to be set up, which will further aggravate the public debt situation.

On the other hand, if Berlin returned to the German mark, the debt-burdened states such as Spain, Portugal, Greece or Ireland would record an increase in the competitiveness. Exports would rise, thus allowing them to raise money in order to pay their debts and support the social systems. In return, Germany, an exporting country, would be forced to reduce its exports towards the Euro area (the single currency being weaker than the German mark). Indeed, Germany's liabilities are in Euros, which makes them much cheaper to pay; but the problem of the banking system will not be solved. In conclusion, at least in the near future, Germany will not opt for exiting the Eurozone, because at this point the costs would exceed the benefits.

5. Conclusions

Regardless of how the situation of the Euro area will be solved on the long run, the monetary union will follow its course, and the states that meet the real and nominal convergence criteria and are willing to adopt the single currency, will be accepted in the EMU. Regarding the Member States, although the temptation exists, none of the participants will leave the Euro area in the near future because the costs would be much greater than the benefits at this stage.

Greece's exit from the Eurozone would ease the country's financing problems by depreciating the domestic currency and by the central bank purchasing bonds. However, the introduction of the drachma would be almost impossible because no one would accept to receive a currency which is being introduced precisely in order to be devaluated. Capital will flow immediately out of the country, without any support, at least temporarily, from the EU, the ECB or the IMF.

Although reluctant to aiding Greece, even threatening to exclude the less virtuous member countries from the Eurozone, Germany has no interest in the collapse of the single currency. Indeed, without the euro, Germany would face an unprecedented crisis. Given the reputation of the mark before the creation of the Euro area, the credibility of the Bundesbank and the German currency would be restored in no time. The appreciation of the mark against the euro would mean the reduction in the exports towards the Euro area, which would entail an increase in unemployment and public debt, and, on long-term, lower competitiveness. German banks with exposure to government bonds issued by the Euro area Member States would be subject to two risks: the decrease in the value of their European assets (the single currency being weaker than the mark) and the risk that some countries to default and no longer be able to pay their debts if Germany exits the Eurozone. In such a context, a second wave of bank rescue plans will have to be set up, which will further aggravate the public debt situation.

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Values of the EU Accounting Profession

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Abstract

Given the importance of accounting profession and the key role of its European body, the European Commission invited the FEE to play a key role in mobilizing European accounting professionals for providing European business advisers on the changes of the single currency. One objective is to represent the European accountancy profession internationally. FEE maintain close links with International Federation of Accountants - IFAC and the International Accounting Standards Board - IASB. FEE is involved in the work of the Organisation for Economic Cooperation and Development - OECD World Trade Organization - WTO and International Forum for Accounting Development - IFAD. Permanent contacts are maintained with a wide range of professional bodies and other organizations on common interests accounting profession, both at European and international.

Key words: accounting standards, statutory audit, accounting normalization.

J.E.L. classification: M 40, M 41.

1. Introduction

Representative organization of the accounting profession in Western Europe is European Accountants Federation (Federation des Experts Comptables Européens: FEE). It groups together 44 professional bodies from 32 countries. Currently FEE member bodies are present in all European Union member states and EU candidate countries. These organizations include over 500,000 individual members, of which about 94% are from EU countries.

Typically, 45% of accountants are represented in FEE freelancers, providing a wide network of services to their customers. The other 55% work in various positions in industry, government or education.

2. Regional body of professional accountants

FEE is the governing body of the General Assembly, which meets in ordinary session every two years. Federation Council is the responsibility of management fee. Responsible for implementing decisions of the Executive Council is composed of President, Vice President and Delegate. FEE is an international association established in accordance with legal and recognized by the Belgian Royal Decree dated 30 December 1986. It also is an "non-profit". FEE has the following objectives:

- to work in the public interest for harmonization and liberalization of the exercise profession in Europe and to support the regulation of accounting in both public and private sectors, taking account of developments globally;
- promote awareness and cooperation between professional bodies in Europe about the common problems in public and private sectors;
- to represent the European accountancy profession internationally;
- be the leading representative and consultative body for the accountancy profession in dealing with European Union institutions;
- identify issues that impact performance and accounting profession and, above all, to advise member bodies on these issues and, secondly, to work together with the States in search of ways to solve them;

- to promote global awareness of business professionals in all fields of profession.

FEE activities cover a broad spectrum of topics that impact the European profession, including accounting, auditing, ethics, taxation, public sector accounting, company law, banking, insurance, capital markets, accounting management, environmental issues, regulation and liberalization of the profession the euro. Most of the technical responsibilities are delegated to the FEE working groups, while special projects dealing with task forces.

In accounting, FEE play a leading role in Europe, especially in the European Union. Being an actor with a strategic role in the harmonization of accounting standards, is regularly consulted by FEE European Commission and other international or national. In addition to the work program, develop FEE studies various problems, such as comparing the conceptual framework of accounting in Europe, the European perspective of the accounting treatment of financial instruments accounting impact on the environment, comparison of European Directives and International Accounting Standards, International Accounting Standards for analysis of environmental issues, financial reporting strategy in Europe, accounting standardization process in Europe. FEE also publishes a number of advisory statements designed to assist public sector organizations and a number of documents related directly or indirectly in terms of taxation. The audit, FEE has published numerous studies on statutory audit quality, setting professional standards, independence and objectivity of the statutory auditor and the wording of audit reports in Europe.

FEE also promotes a broad liberalization of the profession at European level. It monitors the mutual recognition of professional qualifications in the Union and organized a number of seminars on this subject, with the management representative bodies. European accounting profession has certain fundamental characteristics, systematic way:

- *It is a profession regulated access and practice*

Profession of chartered accountant is one of the professions regulated in all EU Member States. To gain access to the

necessary approval of the competent authorities of these countries. Authorize a professional accountant is reflected in its inclusion in the list of those entitled to exercise the activity or activities reserved to the profession.

For authorization is necessary to obtain the professional title granted by the competent authority of the Member State designated in accordance with legal provisions, regulations and statutes of that state and meeting any other conditions relating to licensing, such as incompatibilities in the absence of good repute and legally, the usual conditions for this type of profession. For legal entities, the requirements for most capital and management definer, must also be met for them to be licensed.

- *It is a profession with a wide and diverse range of activities*

The scope of activity includes accountants a broad range of missions such as statutory audits, accounting expertise on mergers, acquisitions, contributions in kind, reorganization and liquidation of enterprises, legal accounting expertise, tax advice, tax representation, advice investments, legal advice and drafting legal documents, and other types of consulting, more general, such as consulting in organization, strategy, management, information technology, etc. These activities are, of course, regulated in all Member States, and is not mandatory everywhere having a specific professional title to practice. Some of these may be reserved exclusively for the accounting profession, but can also be set and the competence of other professions, there are situations where some activities are not part of the accounting profession missions.

Despite the differences in historical, economic, legal and cultural core of the accounting profession reserved activities include at least the following tasks: statutory audit (legal); auditing; expertise in mergers and acquisitions; expertise in in-kind contributions.

In addition to these activities which are usually reserved for the accounting profession, certain activities, such as tax consulting and liquidation of companies, are part of the traditional sphere of profession, even if they are made and other professions.

If we examine the differences between states on the activities of the accounting

profession is empowered to engage, we see that a large number of restrictions (for example, tax consulting) does not result from a lack of competence of the accounting profession, but the result monopoly protection and other professions. These differences have a direct impact on the exercise of accounting profession in Europe, as professional accountants wishing to provide cross-border professional services not to practice than those permitted by the home missions.

In order to maintain high quality and professional services is essential to develop those professional firms which are able to exert a wide range of missions and to form professionals with a high degree of competence. In this situation, in an environment that is not undermined by protectionism and unfair competition is made to the accounting profession, meet each client's interest and public interest in general. Therefore, in order to maintain a high quality of the activities of the accounting profession for EU business and to ensure that the EU can be competitive profession, in light of changes to total liberalization of the services offered by accounting profession worldwide, "FEE recommends that all the limitations of the scope of professional services that can not be objectively justified on grounds of competence, integrity, independence and objectivity, to be removed" [1].

- *Accounting profession and the public interest*

Professional accountants tasks are performed in order to satisfy the public interest. For example, if the statutory audit, the auditor's opinion reinforces the credibility of audited company accounts. Thus, increasing the value of audited accounts based on their decisions and, thus, help protect the public interest. Audit of mergers and contributions in kind, in connection with shares issued, ensure protection of the interests of all shareholders and thereby contribute to the protection of public interest.

The professional accountant is interposed as a guarantor of the information provided by economic entities. As guarantor of the quality of information, the accounting profession must meet the requirements imposed by the national ethical and professional accountants to behave in accordance with the rules of ethics of the profession.

Impact on public interest missions undertaken by the accounting profession may be perceived more or less depending on the activity in question. To the extent that the statutory audit is important, it is subject to regulation at EU level, indicating the role of the auditor on the reliability of financial information. However, "there are different regulations on statutory audit requirement in the EU Member States, depending on company size, number of transactions or labor, lead us to the idea that different national authorities interpret the role that accounting plays in providing professional credibility of financial information"[2].

The implementation of the directive's 4th annual accounts and Directive on consolidated accounts 7th, Member States shall audit different thresholds, situated between the limits in the Directive, for companies that require statutory audits of accounts. Some countries have maintained national criteria for statutory audit requirement, even if they were below those stipulated in the Directive. Other exempted from statutory audit companies and groups îndeplinesc not criteria in the Directive.

The criteria for statutory audit requirement defines the number of companies that become subject to it. In countries where the number of companies required to have audited accounts is high, the criteria set below the minimum guidelines. These two cases demonstrate the importance of the different EU Member States' authorities attach to the production of financial information by professional accountants. Therefore, each state, the public interest that it covers the activities of professional accountants recognized the public demand and authorities on the nature of the activities they require, as well as professionalism and accountability posed by their work.

Professional accountants of specific missions, only one became subject to EU regulation. Directives 4th and 7th provide that the annual and consolidated accounts which meet the criteria must be audited by an authorized professional. The regulations require companies to use an external independent audit of their accounts in accordance with Articles 51 of Directive of 4 and 37 of Directive 7, which reflects the desire of states to apply the provisions laid down in the Union on the protection of

investors and other users (creditors, staff, public authorities etc.).

Moreover, since public financial information are provided to users under the conditions laid down in Directives audited 4th and 7th, a provision has become necessary to establish common European training permit conditions and statutory auditors. This common regulation was obtained under the directive of 8, which defines the conditions on which individuals and businesses must meet to carry out statutory audits in each EU country. It should be noted that the 8th Directive is a directive for liberalization, which is clearly stated in the penultimate paragraph of the preamble.

But in the draft amending Directive contained provisions on international issues that apply when an auditor of a Member State wishes to exercise its audit work in other EU Member States.

3. Anglo Saxon European Pole

The origins of British accounting profession should be sought by the auditors before creating the first professional associations in Edinburgh in Glasgow in 1854 or 1855. To maintain its reputation with customers, the association should not contain only competent auditors. It also needs to develop a conduct and present accounting techniques. This means that associations have tried from the beginning, the accounting profession to give an image of organization and coherence.

Access was very difficult association. By the '60s to become a member of an association, the candidate must follow a five-year apprenticeship, after which, under professional success in exams, who went through all these joined gauntlet. These requirements have brought about a reverse of the medal, the creation of associations, excluded ". Therefore, in the second half of the nineteenth century and early twentieth century, there was a double trend: on the one hand, small group associations to create national organizations, on the other hand, the proliferation of associations whose interests and rules were different. Today, the UK operates six professional organizations include over 200,000 members. The first three organizations have been recognized by

royal charter and national vocation. Among these include:

- Institute of Chartered Accountants in England and Wales (Institute of Chartered Accountants in England and Wales ICAEW);
- Institute of Chartered Accountants in Scotland (Institute of Chartered Accountants of Scotland ICAS);
- Institute of Chartered Accountants in Ireland (Institute of Chartered Accountants of Ireland ICAI). In parallel, he developed an accountant profession, which was held in the structure of the organization, the Association of Chartered Certified Accountants' (ACCA Chartered Association of Certified Accountants).

Functions performed by members of the three national institutes of accountants and those of ACCA is similar to a large extent. Accounting profession plays an important role in economic life: a consultative role to the government, in terms of legislation and accounting and tax rules, a major in accounting normalization, a normalizing role of the profession (training, ethics, exercise).

Professional organizations in Romania are body bringing together professional accountants Chartered Accountants and Chartered Accountants (CECCAR) and the Chamber of Financial Auditors of Romania (CAFR). CAFR that work is supervised by a state authority (Ministry of Finance) leads us to the idea that at least one of the fundamental principles of independence, the accounting profession, can not be met.

Independence, impartiality, neutrality can not affect the activity of accountant, even if, notwithstanding the status of members' nonactivi "category may be part of professional auditors and employees of public bodies.

4. Conclusions

In order to achieve its mission to support the development of accounting profession with harmonized standards and providing a high quality of services to meet the public interest, the International Federation of Accountants has reconsidered its development activities to support the international accounting profession and its

role in the service of interest public key activities are structured into four categories: developing quality standards; increase transparency standards development process; achieving a high responsibility to the public; facilitating dialogue and relations between members.

The success of the accounting profession is, inter alia, in conjunction with the public trust by the user to whom it is addressed. The successful conduct of the business concern monitored by professional accountants in terms of the efficiency of business, development of capital markets and ultimately the economic stability worldwide.

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Using Data Mining Techniques in Economic Crisis

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Abstract

Current economic context marked by economic crisis, has the effect of reducing costs and greater control over costs. It is a problem faced by all managers and a solution to anti-crisis measures such as using data mining techniques.

Data mining or "knowledge discovery in large databases" is a set of techniques used to discover valuable information from large volumes of data unknown

.Data mining techniques are used in many fields, one which lends itself particularly well to the economy. Uncertainty facing the economy makes use of data mining techniques are more important now as it assumes that there are many advantages, brings both knowledge and management level in their area of activity.

Key words: data mining, economic crisis, information, knowledge extraction

J.E.L. classification: M15, G01

1. Introduction

Since ancient times people needed to operate information, information that was processed manually at first, but now, due to economic circumstances, increase the amount of information, managers can not operate studying reports showing a lot of data, volumes of data that are detailed and without the existence of correlations, because the evolution of an organization in times of economic crisis can be decided in fractions of time. Thus, it requires that managers have access to accurate and timely information to make better decisions, information that can

be obtained performed because of a system by which data is presented quickly, synthetic, but revealed while providing the opportunity and especially an analysis of forecasts.

Due to the progress of information technology, access to data and information is more easily achieved in the current context marked by crisis, the question is to know more and more, and know how to use the maximum information that you have at a time.

Economic downturn experienced in full by the vast majority of enterprises makes them feel somewhat of a fear of the future that awaits them. Many of the managers of these organizations chose to reduce their activity or have preferred to freeze the business hoping to better times. But the future is for companies who work in a more efficient business processes and improve control and analysis tools.

Citizen-oriented application development is a necessity in a knowledge-based society [7].

The economy is going through a period of economic imbalances and putting their mark on all business activity. Management level decisions be taken in a timely manner to ensure survival of a business or smooth. To substantiate these decisions, managers need information. Data mining techniques will assist managers because they are a modern and powerful set of tools with a great potential in helping companies find the most important information hidden in the data collected and stored in databases or data warehouses.

Gray and Watson argue that "data mining allows analysts and managers to find the answers to the problems of data warehouse company, which they have not even put". [4]

Data mining is "a lot of techniques that can be used to extract valuable information and knowledge from massive volumes of data" [5].

Data mining in relation to economic resource planning, is the statistical analysis and logical volumes of transaction data, looking for patterns that can help decision-making process [2].

2. Data mining techniques

Data mining techniques allow users to extract information and making predictions based on historical data. For this, they use methods from various fields in which they are rooted (as shown earlier in this chapter), namely: statistics, databases, machine learning, recognition of shapes and visualization.

Are used to apply a data mining strategy. Data mining techniques are defined by an algorithm of data mining and knowledge associated structure. In turn, the structure of knowledge is represented using a decision tree or a set of production rules.

1. Decision trees and classification

Classification trees are used to predict membership of objects / instances to distinct categories, based on their action in relation to one or more predictor variables [3]. Analysis of decision trees is an important technique in data mining.

A decision tree is a disjunction of conjunctions of constraints on attribute-value pairs of the courts. Each path from tree root to a leaf corresponds to a conjunction of attribute tests and the shaft is a disjunction of all these conjunctions [1].

This technique of decision tree is used to build a tree necessary to model a process of classification. After the tree was built, it will be applied to each item of the database and classification results of that tree. Technique is based on two steps: tree building and tree database application.

Classification and decision trees technique presents some advantages and some disadvantages. The main advantages of decision trees is that they build models useful and effective in terms of users are easy to understand and use and are not influenced by the absence of data values. They also can be used in real problems such as trade rules.

Decision trees folds large databases, tree size is independent of database size.

As we mention disadvantage that they restrict the data analyzed in that it allows only a single dependent variable. Also, a significant part of algorithms for decision trees require that data continue to be divided or converted into data type enumeration.

Neuronal networks (NN), the computers have been used since the 1980s. These neural networks were built after the model of biological neural networks (using the working model of the human mind). Thus, to make a stink difference between the two types of networks, those computers are also known as artificial neural network (ANN).

2. Neural networks are some of the most complex classification and regression, often considered as true black boxes [6]. Even if a neural network uses a lot of data for training, needing time, however it has the ability to make predictions for new cases fairly quickly, in real time. Basic feature of neural networks is given by the fact that they work directly only on numbers. Therefore, any type of data located in columns independent or dependent (output) which corresponds to a numeric type conversion process is subject to the number (as an example we give the values of type Yes / No variables belonging to be replaced with digits 0 / 1). As classification and decision trees technique and the technique has certain advantages and some disadvantages.

Neural networks operate on the principle of black box (black-box) have no ability to explain the finding dependencies between nodes. Neural network uses only numerical data, the nonnumeric to be undergoing a process of conversion.

Using a neural network, if they have a well defined structure, you can easily specify a new case. The disadvantage of a neural network is that it can never be exact.

3. A rule of association is an expression of commitment by the way, where X and Y are items (item's) separate X and Y are the consequence of the rule antecedent rule [3].

Technical association rules is part of strategies unsupervised data mining technology. Its role is to discover links between records for a data set.

This method of association rule, association analysis, is known in literature as the consumer basket analysis, the most common practical application of it. The main purpose of this analysis is to identify which goods are often purchased together to assist retailers in making decisions about the arrangement of goods in the store, making promotional offers.

The classic example, the use of association rule "beer - diapers", based on the behavior of many buyers in a supermarket. Thus, it was found that people who buy beer, buy often.

The main technical advantages of association rules are: ease of use ensures users in generating the opportunity to achieve fast classification of new instances. Clustering techniques to data, as well as association rules, are part of the unsupervised classification. Clustering is the process by which a data set is divided into several groups (clusters) of data from a certain similarity (grouping set of data subsets that share certain characteristics). Cluster groups are known from the beginning, they have also invented the process of learning. A cluster is a set of similar data items. Within each group should be a big similarity, but groups should be as different from one another.

4. Clustering techniques are divided into several categories depending on the type of algorithm:

- Ascending (grouping, summary): path is achieved by successive aggregation of elements, and obtain a partition hierarchy of classes;
- Descendants (the division): the set of objects is divided successively into subsets of objects;
- Partitioning: the starting point is a class structure that supports changes to maximize the homogeneity of each class.

Clustering methodology has two approaches:

- Hierarchical clustering (Hierarchical clustering)
- Neierarhic clustering (non-Hierarchical clustering)

Clustering involves grouping objects in a hierarchical iterative, leading to a hierarchy of clusters, the occurrence of dendograme (tree diagram). It uses a method of merging / joints (linkage), such as:

- Single linkage - the distance between clusters is determined by the distance between the closest object (Nearest neighbor);
- Complete linkage - the distance between clusters is determined by the distance between the most distant objects (furthest neighbor);
- Average linkage - the distance between clusters is given by the average distances in any two pairs of objects in different clusters;
- Centroid method - the distance between clusters is determined by the distance between the centers of gravity;
- Ward's method - this method differs from the above that is used for analysis of variances (dispersions) in the evaluation of distances between clusters.

There are several types of hierarchical clustering of which I will present only three:

- crowd (bootom-up) are connected pairs of clusters leading to the emergence of successively larger clusters. This method assumes that each object is placed in its own cluster and then is joined at each step the most similar two clusters until only one is obtained, alternatively, the stop condition is met.
- Division (top-dowon): At first all objects are placed in one cluster and will then, they divided into separate groups. At first we have one cluster then the cluster division to occur in smaller clusters, containing these procedures until obtaining a number of pliers or stop condition has been satisfied.
- Conceptually: consists of a root node empty, objects are added one by one, using the existing classes, creating new classes, combining and dividing existing classes [3].

Non-hierarchical clustering (partition) is also known as the k-Means clustering type. As is different from the hierarchical model, such method involves partitioning the original crowd of objects in non-overlapping clusters, each object to be part of one cluster and a priori knowledge of the number of clusters. The problem is to create an algorithm with which the number of clusters to be formed initially.

K-means algorithm requires random selection of K clusters, the arrangement of objects in the K clustre having to meet two objectives: to minimize intra-cluster variance and maximize inter-cluster variability.

3. Conclusions

The economic crisis affects almost all businesses and among the economic crisis are cutting costs, but costs such effects should not put their mark on reasonable investor and future.

Data mining helps us to discover hidden information in your company information, information that could not be effectively achieved only with the query reports. For businesses, data mining is used to discover patterns and relationships between data, in order to help management to take the best decisions in a timely manner.

Because data mining techniques benefits of particular importance be given to implementation and exploitation of its full potential. Including data mining process in the organization have to be gradual, realistic goals are set. The ultimate objective is to integrate data mining techniques Complete with other existing activities within the firm are used as decision support for the company. Data mining is the process by which they are identified and selected (especially in a time of crisis) information in the volume of data they work in an organization. True masters are those who have information, strategic resource of an organization.

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Tax Evasion - the Main Component of the Underground Economy Matrix in Romania

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Abstract

According to financial analyzes conducted by the facilitated institutions, tax evasion is the main component of the underground economy matrix and one of the major crimes which generates "dirty money".

The assessment of tax evasion is quite difficult. We may, in fact, talk about estimating the discovered or identified tax evasion (either as a share of GDP or as a share of tax revenues of the Consolidated national public budget - BGC); actually, the registered tax evasion is much higher.

In this paper we have tried to highlight some of the causes and factors that determine and influence both tax evasion and some particularities of the registered Romanian tax evasion.

Moreover, we presented the values determined for tax evasion identified during 2000-2010.

Quality, long time considered like a mean, especially an industrial one, changed.

Key words: tax evasion, fiscal fraud, underground economy

J.E.L. classification: E26, E62, M40, M41

1. Introduction

The tax evasion and fiscal fraud phenomena are widely spread across the world, in countries with a high level of poverty as well as developing countries or the world's great economic powers.

The tax evasion phenomenon has always been condemned, without having its perspectives changed by social arrangements; it will permanently be in the sights of the world's governments, as long as they are unable to find a means of eradicating it.

It can be said that tax evasion is an important means of underground economy's manifestation on a global level and, of course, in Romania.

In conformity with the *Romanian Explanatory Dictionary*, **tax evasion** is defined as being a **withdrawal from fiscal obligations**.

The Law 87/1994, **tax evasion** is defined as being the *total or partial withdrawal, by any means possible, from the payment of taxes and other sums owed to the state budget, local budgets, state social insurance budget and special extra budgetary funds, by the physical or juridical persons, Romanian or foreign, named taxpayers.*

Throughout time many other tax evasion definitions have been formulated; by synthesis, we can say that tax evasion consists of the taxpayers' total or partial withdrawal by any means possible, from the payment of taxes and/or any other sums owed to the general consolidated budget [Iacob 2008].

2. Tax evasion manifestation forms

Based on the field of activity and specific legislation, tax evasion can have different shapes, manifesting itself in a much stronger and more offensive manner in the fields where taxes are high (in these fields, by avoiding the payment of fiscal obligations, very large profits are achieved and the competition, created by the economic agents who respect the acting laws, is eliminated).

The most common means of classifying the tax evasion's manifestation forms refer to *licit tax evasion* (also known as *tolerated* or *intra-legem*) and *illicit tax evasion* (also known as *extra-legem* or *fiscal fraud*) [Pătroi, 2007].

Licit tax evasion is not conceptually defined by the normative referential, although the term is accepted by the fiscal

practice, being based on “intra-*legem*” operational procedures, which escape, from a legislative point of view, the sanction regime’s statements.

Legal/licit tax evasion should be considered as being that tax evasion which succeeds in avoiding the payment of budgetary obligations (partially or totally), by exploiting certain law “gateways”; that tax evasion which does not aim towards damaging the state’s financial interests, but towards the potency of such damage [Dinga, 2008].

The licit tax evasion is assimilated by some economists as being a form of duality of the official economy [Pătroi, 2007], which manifests itself especially when the regulation policies promoted by the public authority are not properly structured.

Among the tax evasion’s manifestation forms we can recall [Pătroi, 2007]:

- Most expenses, which can be fiscally deducted through the recording of expenses which were never real, but, which are based of justifying documents obtained by legal means, properly written and correct from an accounting point of view, as well as from the field’s legal regulations’ point of view.

- The use, in international economic transactions, of intermediate purchase/selling prices for the transfer of the taxable base towards a more malleable fiscal jurisdiction (usually, through the off-shore societies, which are situated in fiscal paradises).

- The fiscal deductibility of the interests granted based on a “loan” contract made between the commercial society and a physical person (associates or shareholders, depending on the organizing manner chosen in the moment of constitution).

- The “compensation” of the advanced payments granted throughout the year with the dividends distributed after the financial exercise’s finalization, based on certain, permanent financial situations.

- The unjustified increase of expenses regarding the merchandise which has left the management through the incorrect repartition of their price differences (the incorrect calculation of the “K coefficient” regarding the management unloading).

- The accounting recording within the exploitation expenses of expenses regarding effectuated investments;

- The ignoring of the whole patrimony’s stockpiling results;

- The lack of recording and disclosure of the accounting evidence of the cashed in advance payments’ collected VAT;

- Failure to record and failure to register as a tax deductible expense, the VAT on goods or tangible nature of inventory recorded as missing or damaged, attributable, for which insurance contracts were concluded in accordance with the provisions of Tax Code.

The illicit/illegal tax evasion [Dinga, 2008] is the result of any fiscal norm breaking, capable of bringing prejudices to the state’s financial interests. In the opinion of some authors, it is the only species of tax evasion (because it takes place through the breaking of fiscal laws). Starting from those presented, it can be said that the *illegal tax evasion* phrase represents a pleonasm, the tax evasion being illegal by definition.

Another means of classifying tax evasion refers to *anomic tax evasion* and *subsistence tax evasion* [Pătroi, 2007].

The *anomic tax evasion* is based on the conscious motivation of the taxpayer for “non-action”, being stimulated by the nonexistence of the normative frame, not by its imperfection; despite the fact that it does not generate additional material expenses, it can determine unbalances through the taxpayers’ deviationist desires’ prism.

The Romanian does not explicitly recognize this form of tax evasion manifestation, although it does not deny prioritizing some fiscal regulations with the purpose of discouraging certain taxpayer actions and activities.

The *subsistence tax evasion* is structured on the methods and means of avoiding the fiscal tasks by the taxpayers, through the avoiding of certain normative passages, thus, practically, denying the taxable act.

3. The causes and factors which have led to the apparition and development of the tax evasion

Among the causes that may lead to an escapist type behavior, we find [Dinga, 2008]:

♣ Fiscal pressure - an appreciation of how the tax evasion varies as a result of fiscal pressure can be done with the Laffer curve (Laffer model), which models the dynamics of tax revenues of the state budget according to the average fiscal pressure in the economy (it may be considered that as tax revenues decrease, tax evasion extends).

♣ The weakness of tax administration - has the effect of diminishing the degree of budgetary obligations collecting, whether objective or subjective (may be the effect of tax corruption or its logistical or professional incapacity).

♣ Fiscal facilities / moral hazard - fiscal facilities have the effect of reducing the tax burden either through exemptions or budget debt cancellations or by providing other forms of fiscal support; moral hazard occurs as a result of the existence or promise of tax incentives. The granting of tax incentives produces harm to the financial interests of the state by the state itself (and therefore the tax evasion produced in this case is a special tax evasion - the granting of tax incentives by itself does not generate tax evasion on the taxpayers' level, even though it creates damage to the state budget).

♣ Contagion / imitation - the force of the contagion within the generation and expansion of the tax evasion phenomenon is especially consistent, as it depends on institutional and cultural factors. It may be noted that the strength of the tax administration and contagion's force are inversely proportional in the process of generating the overall tax evasion (a state with a strong economic policy may lead to the weakening of the escapist contagion).

Following the analysis of the tax evasion's aforementioned causes, experts in the field have concluded that between these causes there are certain interconditioning relations, namely:

• Increasing the fiscal pressure can lead to the necessity of giving new tax breaks to stop the Laffer curve effect, leading to increased moral hazard;

• Increased tax administration weakness can attract increasing of the fiscal pressure to counteract the lower tax revenues;

• The weaker the fiscal administration, the wider the contagion.

Tax evasion, in its many forms, is a complex, multidimensional and multicausal problem; thus we can classify the main favouring factors of tax evasion in the following categories:

• Legislative, administrative and political factors

○ The legislation that is evasive, contradictory, often with many gaps and that has not adapted to the current economical-social realities;

○ The lack of a strategy to counteract the tax evasion phenomenon;

○ The vulnerability and corruption of the control organs;

○ The political interests to protect certain profitable economical fields;

○ The lack of protection for the internal market through the signing of treaties and conventions through which the customs and import incentives are accepted, thus injuring the Romanian products;

○ The absence of a strategy for the creation of a fiscal system which has adapted to a supposedly competitive and stable market economy.

• Economical factors

○ an excessive taxation - in Romania there are recorded over 550 taxes which, although insignificant in terms of contribution to the state budget, still generate some additional administrative costs, contributing to increased bureaucracy and distress to the taxpayer;

○ an excessive rescheduling of obligations to the state;

○ The lack of a stimulating economic framework for entrepreneurs;

○ a defective regulation of the main indirect taxes (VAT, excise duties);

○ The putting in practice of flawed economic programs focused on privatization, restructuring of the economy (mining, chemical and petrochemical industry, etc.).

• Psycho-social factors

○ the social insecurity generated by the extent of poverty and the decrease in living standards, coupled with rising unemployment;

- corruption, trading in influence;
- religion (there are religions, sects who commit crimes such evasion, human trafficking, drug trafficking, money laundering through donations, grants, investment funds etc.)...

4. The tax evasion's particularities in post-Decembrist Romania

According to reports drawn up by the Financial Guard as a result of the carried out investigations it has been deducted that the main areas of tax evasion manifestation are the food industry (the largest share of milling and bakery sector has), respectively trade and intra-Community transactions.

One of the main factors favouring tax evasion in the food industry is the high level of VAT on commodities, given that in most EU countries it does not exceed 5% (which discourages speculation and the black market, the sums of money obtained being too small and too much risk).

Entrepreneurs of the baking industry believe that the actual bread market is estimated at over one billion Euros (under normal household consumer demand), but the taxed market is about 250 million Euros, which means that other products are sold without the issuing of tax documents, the entire profit returning to the producers and respectively the traders by avoiding the payment of various taxes.

According to statistics, the most common manifestation of tax evasion is found in intra-Community acquisitions, especially in the trading of: vegetables, fruits and cereals, meat and meat products, construction materials, especially cement and sanitary products for individual buildings; nonexcisable energy products (these products are preferred rather than the Romanian ones due to the difficulty in identifying the suppliers, the collecting of the value of goods is usually done with cash on delivery or in a relatively small period of time).

Along with the EU membership, transactions carried out with partners from EU countries are made with the reverse charging of the VAT; thus, many illicit economic agents exploit this European feature and escape from VAT in various ways, such as: avoidance of VAT, short-term

use of phantom companies (3 months), the use of offshore companies.

Other identified methods of committing tax fraud in intra-Community transactions are:

- The exploitation of the lack of European standardization documents accompanying the transport of goods supplementing them with , by deliberately designed to prevent omissions or errors the identifying of beneficiaries;

- Signing the documents accompanying purchases of some fictitious beneficiaries.

In the field of import, production and marketing of petroleum products, increased tax evasion occurs because it is a "rich market", absolutely every field of activity is related to oil (the Romanian fuel market ranges at about \$ 4 billion annually).

The main methods used for avoiding the payment of tax in this sector of the economy are:

- Substitution of gasoline / diesel normal with various substitutes (ex. airplane gasoline, heating fuel), products that are not subject to excises; these products are initially sold to phantom companies in order to finally reach the real company, the "clean" one which sells them, in turn, to the PECO type filling stations (this circuit aims the transformation of nonexcisable products into excisable goods, payment of these tax obligations actually returning to the ghost companies, leading to tax evasion);

- Preparation of production reports with falsified data, designed to support or to cover up fraudulent operations;

- Use common tax documents in order to circumvent the auto fuel supplies' monitoring, taking into account that such transactions are checked by the tax authorities primarily through the inventorying of special tax bills issued in this sense;

- Fictional Export (on export, fuel do not bear taxes). Apparently, the goods leave the country; in reality, only the trade documents cross the border and the fuels enter the market at lower prices (they are free of charge);

- Imports of oil products in order to be processed and then sold for export (so the finished product is not excised, as it is exported). It was found that the obtained

finished products (gasoline, diesel) remain in the country, where they are sold by the trader.

Other evasion methods which are quite common in this sector are:

- the compensation method;
- the method of transferring shares;
- the method of avoiding fictitious operations.

According to studies conducted by a group of teachers from ASE Bucharest [6] based on data collected from institutions of financial control (Ministry of Finance, NAFA, the Financial Guard and National Customs Authority, the Court of Auditors, the National Anticorruption Direction, National Institute of Statistics), using a simplified model of calculation (estimates based on models used by the INS and by Professor Friedrich Schneider) the following values of identified tax evasion were obtained:

1. GDP Share of identified tax evasion

	2000	2001	2002	2003
GDP Share of identified tax evasion	0,4	0,5	1,45	1,8

	2004	2005	2006	2007
GDP Share of identified tax evasion	1,71	1,76	1,77	2,80

	2008	2009	2010
GDP Share of identified tax evasion	2,30	2,87	2,34

2. Identified tax evasion Share of the BGC income

	2000	2001	2002	2003
identified tax evasion Share of the BGC income	1,32	1,75	5,16	6,51

	2004	2005	2006	2007
identified tax evasion Share of the BGC income	6,26	6,33	6,19	9,66

	2008	2009	2010
identified tax evasion Share of the BGC income	9,82	10,07	8,36

5. Conclusions

According to financial analyzes conducted by the facilitated institutions, tax evasion is the main component of the underground economy matrix and one of the major crimes which generates "dirty money".

One can say that the tax burden registered in our country is very high, but, however, the degree of budgetary revenue collection is one of the lowest in the European Union.

Excessive taxation in Romania increases the tax evasion; more and more companies passing from the transparent business environment to the underground economy.

The effects of tax evasion are directly felt on the level of public financial resources, leading to distortions in the market's competition mechanism and can contribute to the creation of social inequities.

The lack of strong actions by public authorities to punish and deter escapist practices will lead to distrusting of state institutions and loss of public confidence in the effectiveness and the determination of the fight against this phenomenon.

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Natural Non-Renewable Resources in Economic Theory

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Abstract

Non-renewable resources can doubtlessly be regarded as the backbone of our modern society. However, most of economists have ignored the impact of non-renewable resources on the environment by dissociating the economy from the ecological network it is fundamentally linked to. The aim of this paper is, therefore, to highlight a literature overview of the most important opinions regarding non-renewable natural resources.

Key words: renewable/non-renewable resources, technical and scientific progress, market mechanism.

J.E.L. classifications: Q01, Q32.

1. Introduction

Natural resources have always played an important role in the development of society, but for a long time economists understood and assimilated their importance only from the perspective of the revenues they could provide. Nonetheless, the ecological crisis that mankind is currently faced with, together with the energy crisis and the raw materials crisis in the 70s, has led to increased awareness from the economists regarding the danger of irrational exploitation of natural resources.

By their nature, natural resources are renewable through natural or artificial processes (solar and wind power, tidal power and that of agricultural fields and forests), while others are non-renewable (ores and fossil fuels). Although for the time being geological exploitations are able to replenish the stocks for a given resource, in time we may not be able to enjoy such generosity from our environment. Thus, because of the problematic present situation and the

uncertain future, many „sensitive” questions were raised regarding the universe of natural resources [1]:

- for how long and under what conditions can life go on on Earth with diminishing resources, with a population that consumes too much and limited natural resources?
- another major problem refers to the location (accessibility of exploitation) of the known stocks. The oil stocks are huge and new oil fields are discovered every year, but these resources are not located in the main oil-consuming countries in the Western hemisphere;
- another problem refers to our increasing dependence on resource stocks that are getting more and more low quality. In other words, the quality of the stocks of ore and fossil fuels used today is way below that of the stocks exploited in the past;
- or the role given to the market mechanism in determining the way resources are managed in the future, and this because throughout the years the market played an important role in determining the degree of exploitation and the rates of consumption.

2. Different opinions on non-renewable resources

Non-renewable resources can doubtlessly be regarded as the backbone of our modern society, only that in the time of the early economists, there was no concern over the deficit of natural resources, which was directly reflected in the planning of the economies.

Classical British economists. According to Adam Smith, in „The Wealth of Nations”, the “impersonal” market mechanism will look after society best, “if allowed to function unhindered, so that the laws of evolution lead society to its promised reward”. Therefore, the “invisible hand”

regulates, with the help of competition, real prices and allocates thus the resources and ensures the distribution of production factors.

Unlike his successors - Thomas Malthus and David Ricardo - Adam Smith was not overly preoccupied with the effects of the consumption of natural resources as a limit to the wealth of nations. His main message being that wealth could increase indefinitely due to the division of labour and the accumulation of capital, which are regulated by the „invisible hand” of the market and free commerce and fueled by specific interests. However, this "bright optimism" [2] was toned down by future considerations regarding the provision of foods and the increase of population.

In 1798, Thomas Malthus, leading representative of classical liberalism, adopting a different point of view regarding the analysis of the economical and social reality of the time, published the work „An essay on the principle of population”, which produced a real shock to those who held optimistic views on the future. Malthus was the first „apocalyptical voice” [3], who noticed the limitations of our world, represented at that time by the ability of the arable land to feed an ever growing population, honestly believing that humanity will eventually reach a low point in its existence from which it will not be possible to escape. What intrigues the mind is that, despite the controversial ideas, currently, Malthus is seen as „the most accurate thinker of the 21st century” [4] if we are to look at the rate the population increases in China and India.

A contemporary of Malthus, David Ricardo, also had a pessimistic view on natural resources, believing that a balanced state between natural resources and the tendencies of the environment cannot last for too long [4]. In his model, Ricardo looks at economic growth as directly linked to the scarcity of natural resources, outlining in a precise manner the tendency of economic growth which will decrease with the reduction of the availability of fertile (rich) fields.

Looking at the times highlighted by the 18th century, we notice that other classical economists were not so pessimistic. For example, John Stuart Mill (1862) emphasised the fact that, while the limited amounts of

natural resources could be a hindrance in the way of increased productivity, this limitation has not yet been reached, and will not be reached by a country for a considerable time to come. Mill based his theory on the future development in the field of agriculture and on the fact that the social institutions and the increase of economic welfare could slow down the increase of population. An interesting characteristic of the thinking of John Stuart Mill is the argument according to which the quality of the environment is an important aspect of economic welfare. According to Mill, a world in which the environment is used only for industrial and agricultural purposes is not an ideal world.

These pessimistic or realistic opinions prevailed in the thinking of 19th century economists, albeit not without heated debate, until in time many of them were regarded as outdated, as the economic environment moved towards different values and tendencies.

The studies of Hotelling (1931) and Barnett & Morse (1963). Partly as a reaction to the Conservation movement – according to which economic growth has clear physical limitations, which cannot be avoided through technological progress - economist Harold Hotelling published a study called „The Economics of Exhaustible Resources”, in 1931. In this study he built a theoretical model which targeted the maximisation of social welfare, by examining the possibilities of optimal extraction of non-renewable resources. Hence the conclusion – of belief in an everlasting exponential growth – widely accepted among economists, is rather problematic, as competition and the economic market will always lead to a maximisation of revenues on the short run and the quick exhaustion of non-renewable resources.

Thirty years later, there were empirical data available to study the problem of the deficit of natural resources. Thus, two economists from the USA- Harold J. Barnett and Chandler Morse, in the study „Scarcity and Growth” (1963), studied the implications of the scarcity of natural resources on the extraction costs, as well as on the prices on the global market of natural resources, by first looking at the period between 1870 and 1957, and then drafting an extensive analysis for another 13 years. Their purpose was to

test the hypothesis according to which the increase of the deficit of non-renewable resources has real support.

In general, the authors strongly question many of the basic premises of the conservation movement, as well as the pessimistic point of view of Malthus.

Upholding the same comforting ideas such as those of Barnett&Morse are the studies done by N. Potter and F.T. Christy (1962), W.D. Nordhaus and J. Tobin (1972), whose results stated that *natural resources will not become a severe hindrance in the way of economic growth*. However, there were still questions among the specialists of the time which referred to the neofactors of production, such as the technological developments, the substitution technologies, studying their positive influence on the offer of resources.

Many researchers, as well as governmental officials, were concerned about drafting the estimates of resource stocks on data that was as reliable as possible. Thus, a realistic estimation should include not only known stocks, but also a „probable estimation” of the quantities that are not fully known at present but will probably be discovered in the future [4]. Some analysts, such as J. Zwatendyk (1972), thought that we will never run out of natural resources, because the stocks are much greater than the known technological and economical limitations.

The report „Limits to Growth” for The Club of Rome. For many analysts, The Club of Rome is seen as neo-malthusian in its views, because of the conclusions launched in its first report „Limits to growth” (1972), presenting the warning signals that the world was becoming ever more poor in the resources that are necessary to support our lifestyle. The study presented a new model, whose purpose was to anticipate the evolution of the following five global variables: population, agricultural production, non-renewable natural resources, industrial production and pollution. The predictions of the study were extremely pessimistic: the future level of world population, of agricultural production and industry will grow exponentially at first, and during the next century will collapse. The collapse will follow because the economic world will reach its physical limits regarding the use of non-renewable resources,

agricultural production and excessive pollution. Likewise, the study predicted the depletion of eleven vital ores before the end of the 20th century, among which there were copper, mercury, natural gas, oil, tin and zinc. Under these circumstances, the authors suggested promoting deliberate restrictions on the processes of demographic and economic growth, and thus achieving a gradual and slow transition from growth to complete balance [4].

However, these scenarios did not come true, and many researchers around the world criticised them. The main academical criticism came from the economists, who claimed that the study did not take into consideration the mechanism of prices, and from the scientists, who pointed out that they had neglected the ability of science and technology to solve the problems of the world.

With regard to the problem of the depletion of non-renewable resources, the Report of the Club of Rome played an essential role in generating a vigorous debate regarding the availability of these resources in the future, debate that is still valid today.

Economic researches on „durability”. One year after the publication of the report „Limits to Growth”, the price of oil almost tripled in a very short period of time, which led to the first energy crisis. Few people questioned the vision according to which the future of the world is that in which the deficit of energy and of natural resources is increasing. Maybe the most known work at the time was the model of non-renewable resources and of economic growth suggested by Dasgupta Partha and Greffrey Heal [5]. These economists were wondering whether an economy can maintain a positive level of consumption for an indefinite period of time in the absence of technological development, and in which the production of goods is possible only by using the limited non-renewable resources such as oil. This thing clearly reflects a matter of durability. According to their annalysis, maintaining a positive level of consumption indefinitely is possible only if the capital can be replaced by non-renewable resources without technical difficulties. If the substitution possibilities are limited, the future consumption per capita should eventually decrease to zero. Many environmental economists (eco-economists)

believe that only the second case fits the laws of physics. In this respect, it is considered that not even permanent technical innovation (which does not violate the laws of physics) couldn't change this pessimistic scenario [6].

From the study of Dasgupta and Heal, as well as other similar studies regarding the scarcity of natural resources - R.M. Solow (1974) [7], J. E. Stiglitz (1974) [8], the research in this field has evolved in several directions. One direction of research seriously considered the possibility that the market economies might not lead to durable results, even if this thing were technologically possible. Another direction of research includes renewable resources such as solar and wind power in models of long-term economic growth. This is meant to change the above-mentioned pessimistic result. At the beginning the economy uses its non-renewable resources and simultaneously invests in some revolutionary technologies which lower the costs of using renewable energy [9]. Thus, non-renewable resources are used up to a point, after which there is a transition to using renewable sources of energy.

A third direction of research continues to study the deficit of natural resources in a pragmatic way. Now that the first and second energy crisis have ended, it has become clear that they weren't dealing with the long-term deficit of natural resources. When the oil prices went up, the companies were willing to take the risk of exploring new regions. Thus, new deposits were found in the North Sea, Mexico and Venezuela.

It thus appears that the efficiency of the market mechanism is one of the reasons why non-renewable resources were not completely depleted, to this being added the opinion of many geologists who believe that the physical exhaustion of the resources is impossible, as long as the decrease of the availability of resources will always trigger their substitution.

3. Conclusions

In conclusion, the points of view regarding the problem of non-renewable natural resources can be divided into two categories: *a pessimist* one, according to which the stocks of resources are finite, and the future is somber; and *an optimistic one* which is

confident in the unlimited abilities of the human being to always find new solutions, in which the great „thinkers” are the product of the schools and the environment they were raised in.

In an era of extremes, we believe that the middle way is the best way and at the same time the most feasible way to deal with such a problem. Thus, the rational use of natural resources is the main way to efficiently increase production, which can be obtained by decreasing the production factors in the process of extracting and processing them. In this respect, *technological and economical progress (the informational resource) and the use of the human potential (the only plentiful resource)* become the main instruments in solving the contradictions between the increasing demand for resources and the limited possibilities offered by the environment.

4. Acknowledgement

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Economic Growth under the Impact of the Depletion of Non-Renewable Resources

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Abstract

In recent years, the events which have unfolded on a local or global level have affected us with an ever-growing frequency. A new vision on economic growth is needed, which raises the problem of ending the "career" of the model used so far to produce obsessively, wasting the limited resources, putting a strain not only on the link between needs and resources, but also on life itself, both for today's generation and for the future ones. In this context, this paper wishes to highlight the effects of the growth that brings poverty, as well as those of the relationship between growth and non-renewable resources.

Key words: economic growth/decline, depletion of non-renewable resources.

J.E.L. classifications: Q01, Q32, Q41.

1. Introduction

"The current crisis that dominates mankind is due to the addiction to the industrial comfort presented as being the conquest people are very proud of"[1]. It is thus necessary to wake from the dogmatic slumber of the economists who upheld unlimited growth. The roots of the phenomenon can be traced back three centuries, when A. Smith (1776) wrote: "Progress is, in reality, a good thing, even the best and most important for all the different orders in society. Stagnation is interesting; it is a melancholy in decline". And thus this opinion became an economic rule, economic growth becoming "the great objective of the whole economic policy".

The crisis of the limited resources, although acutely felt after the embargo on oil during 1973-1974, did not receive anything from the economic community except ignorance, the economic effect of the deficit of resources being rejected. Perhaps only a sociological analysis could explain why, as the energy crisis worsened over the years, the standard economists continued to claim that there are absolutely no reasons for concern. Such statements follow two directions: one which considered that "come what may, we will find a way to keep growing" just as it has always happened; and a second position, highly popularized by the theorists of standard economy, according to which the market mechanism can solve any ecological crisis. Through the market prices, the deficient resources would always be protected from becoming exhausted, and "the resources are measured in economic, not physical terms". Natural resources are no different from other commodities, maintained Solow and Stiglitz. Therefore, if resources become less and less available, there will appear other factors to substitute them [2].

We thus have the paradoxical tendency of economists to arbitrarily freeze the economy in its current institutional structure, instead of regarding it as a system that is continually changing and evolving, connected to the change in the ecological and social systems it is part of.

If we take into account the whole world, it becomes evident that an increase in population and human savings has led to an ever-increasing level of consumption of natural resources in order to support the ever-growing standard of production and consumption (the first law of thermodynamics).

Nonetheless, apart from the growing ecological limitations, there are indications that the era of growth, as it has been understood so far, is coming to an end. The way in which economic growth was approached led to increased inequality, both on a global level and on the domestic markets, for most nations.

2. Economic growth and the depletion of the non-renewable resources

The attitude of the economy of human society has always been to develop its own mechanism to adapt to the permanent conditions of limitation, waste and uncertainty imposed by the environment, in order to support a real growth at the level of the production of goods and services.

From economic growth to economic decline. A retrospective analysis highlights two types of economic growth: one that enriches development and fulfills human individual and collective development, also maintaining the ecological balance; and another one which moves away from development and diminishes welfare.

The growth that brings poverty is actually the growth that wastes the limited economic resources, irrationally polarising the boundaries of production possibilities [3].

By concentrating our efforts to identify the causes we can more easily understand and control the uncertainty of the factors outlying our actions. Thus, for a long time the theory and practice of economic growth and development have subordinated the environment to the human society, neglecting the conditions for life in the natural environment to regenerate itself. Among the essential causes of the current natural-human crisis we can identify *the evolution in the wrong lane* of human society, due to the lack of awareness from the individual, who, by satisfying the needs for a normal life, has led to an increased „debt” towards the other forms of non-human life.

An analysis of the economic and social activity on a global scale points out the fact that the theories of economic growth have not brought about a balanced evolution on the whole, consciously transforming some into developed and others into undeveloped (as if the development of some cannot happen unless other fall into poverty). We

understand therefore that the purpose of humanity has not been stability and preservation, but evolution and expansion at all cost, in all possible meanings and directions.

In this respect, specialist studies identify on the one hand, up to the present moment, countries whose population is less than 1/3 of the total world population, that have recorded economic growth and the improvement of the quality of life of individuals on the whole; and on the other hand countries whose population is over 2/3 of the total population in which no economic growth was registered and, as a result, the individual and collective welfare of this area declined.

Both the growth that brought wealth and the one that brought poverty co-exist on the scale of the world demographic system, producing negative results from the social, human, ecological, military and behavioral points of view [3].

Based on the above-mentioned things, we identify as natural the orientation towards economic decrease as a natural expression of the increased responsibility towards the limited natural environment. The decrease must not be seen as a ceasing of evolution, but as a more efficient use of natural resources, especially the non-renewable ones.

For this to happen, we need to understand what inefficient use of the natural resources means, under what circumstances the world economy, which is under the rule of limiting its means, foolishly wastes the most precious things for human development and welfare. The major forms of inefficient use of the limited natural resources are as follows [3]:

- their use where they are not needed, with two consequences: useless things are produced, and, at the same time, there are needs which are not met in certain fields of life;
- their use to produce utilities for necessities, but with great consumption in relation to the dominant (top) technology of that time;
- the use of resources to produce military goods, which should not even be used, because they threaten life on a global scale;
- not using existing resources to produce goods that are useful for the society which, for various reasons, lie in the natural environment (unused agricultural

land, water that is not used for fishing, to produce energy etc.);

- waste of limited natural resources also occurs when their attraction in the circuit of economic life is done at a faster pace than it is possible for them to be regenerated, with a negative effect on the future generations;
- another form of wasting the limited resources is the partial or total lack of processes to reintroduce all the waste from the production processes in the economic and social circuit.

The industrial revolution, which has passed, the informational revolution, in which we are now, as well as questioning the whole pattern of evolution we have been through so far, together with the emergence of a need for a new economic direction, are the direct expression of the consequences of wasting limited natural resources. The fight against waste in its various versions, has always led to technological revolutions, which have always led humanity to a different level, but, unfortunately, their vision has always been incomplete, based on the principle „gain-loss” and not on that of „gain-gain” that is needed for a harmonious development both of the human society and of the limited natural environment.

The decline which preceded the fall of human economy is, in fact, the final expression of the collapse of the growth which brings poverty and wastes its vital resources [3].

Relationship between economic growth – non-renewable resources. The relationship between economic growth and the increasing consumption of energy has been under a lot of scrutiny, because in its way to development, modern society remains dependent on ensuring energy resources. If we want to know what the position of a great power will be in the future, we should look at its present-day energy resources.

The relationship between the consumption of energy and economic growth remains well defined in specialised documents, the only controversy being that of the causal direction of this relationship: whether economic growth leads to the consumption of energy, or the consumption of energy is the engine of economic growth. At the same time, there are significant political implications in this causal direction. Empirical attempts have

been made to establish the direction of the relationship between the consumption of energy and the economic activity in developing and developed countries. Nonetheless, the results are mixed. For example, if the relationship moves from the consumption of energy to economic growth, then the energy-conservation policies, whose aim is to reduce the consumption of energy, can have a negative impact on the growth of an economy.

The uneven distribution and exhaustible character of non-renewable resources, resources which remain for the time being *the engine of world economy* have led to an escalation of the „games” regarding them and have allowed the appearance of certain „monopolies” as regards the control of sources and routes, of markets and prices.

Now we can notice that the whole attention and strategic activity of political forums is aimed at attracting and increasing the resources of limited energy resources. Thus, the non-renewable resources have become instruments of political, economic and military pressure in order to obtain certain strategic advantages on the ever-increasingly dynamic and complex arena of international relations.

There used to be three classic importers of energy resources: the United States, Europe and Japan, which accustomed us to large consumption of resources, coupled with spectacular economic growth. Nowadays the growth „moved” elsewhere as well, more precisely in China, India, Brazil and the Gulf states, in what we call emerging markets. „Between 2000 and 2007, the world demand for oil grew by about 9,4 million barrels. Almost 80% of this growth took place in the emergent markets” [4]. On the whole, the rise of these states will continue, and so will the need of developing countries, access to resources in general becoming a vital problem [5].

Each great power has linked its existence and rise to a specific resource which ensured its independence and power in relation to other countries or powers. For example, Europe has based its power on coal, a plentiful resource on the old continent. When the transition was made to a different source of energy – oil – Europe became dependent on that particular resource of which it only had limited amounts. And the power that

emerged across the ocean – the USA – had plenty of oil [5]. There followed decades of exceptional economic growth ending with the threatening present situation of limited resources.

According to the statistics of British Petroleum (2011), the states that have the richest stocks of non-renewable resources are not the biggest consumers, but they are the main producers. Thus, countries in the Middle East have the richest stocks of *oil*, followed by Venezuela and the Russian Federation. Rich stocks of *natural gas* can be found in the Russian Federation, the Middle East countries and the USA. As regards the resources of *coal*, the USA is in top position, followed by the Russian Federation and China.

Generally speaking, the states that consumed most resources used to be at the same time great producers, only in time a certain dependency was created of the developed world to the countries rich in resources. Thus, Europe and Japan illustrate the case of more profound dependency, because neither of them have significant energy resources in relation to their real needs. That is why, for example, their need for oil has gone up towards as much as 80% [6]. One exception is France, who ensures 80% of its energy needs from the powerplants that exist in this country [5].

On the whole, the energy map of Europe has certain unique features, but it is not very different from that of other important economic actors. However, the EU, due to the fact that it does not have rich energy resources, and its increased consumption has increased its dependency on imports, has set out to increase the percentage of energy produced from alternative sources.

Likewise, a concentration of the energy resources only in certain areas (the Middle East, the former Soviet Union) only complicates the broad energy map. The fundamental problem will remain the offer that is surpassed by demand, which will lead to a sort of economic suffocation of some states.

3. Conclusions

The research done so far shows the fact that non-renewable resources remain the engine of world economic growth, and the tendency of modern society to waste natural resources is, in fact, the price for every step ahead in the technological progress, reaced by discovering ways to use new types of accessible energy. Therefore, no great technological progress can have effects unless the innovation is followed by a great mineralogical expansion. In conclusion, we understand that „waste” seems to be a by-product of economical and social processes of our age, only that in order to progress more, society needs to overcome the perspective of linear progress and tend to focus on development without growth.

The global economic recession brings back into question problems that have been ignored by the economic community and the political forums, guided by a limited perspective that is detached from the universal context and which can only maintain its continuity and integrity by maintaining a constant balance. The global hysteria remains paradoxical, which is presented as insurmountable in order to justify the need for punishments recommended by international forums.

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Perspectives on the Worldwide Oil Market

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Abstract

Oil is the main motor of the world's economy. Until the scientists will breakthrough new and competitive energy technologies, for the proxy future, it is mandatory identify new ways of balancing the superior increase of the demand, in correlation with the offer.

Key words: oil, market, global reality, Energy strategy.

J.E.L. classification: Q40

1. Facts in oil market

Even if there are active searches carried out in finding alternative sources of oil, an essential source hasn't been yet found. It is unlikely that in the first half of the recent century will be invented any new source of energy that can replace the existing ones. That means that oil, along with natural gas, will remain the basic elements in energy balance.

Long-term forecasts argue the possibility that the big companies will keep their positions in world oil market. Moreover, the increase of revenues and profits of oil companies will be influenced by a number of factors. Starting with nowadays situation, we have to describe the structural outline of this sector's development together with the problems that it may encounter in the years to come. These are:

- developing new and more efficient technologies of extraction and production of oil and gas, orientated towards the increase of efficiency in oil layers, a larger use of additional methods of extraction;

- establishing new worldwide oil extraction centres, especially in the Caspian region, North Sea region, Kazakhstan, constant development of energy consumption in the Asian region;

- an active research and implementation of energy saving technologies, intense competition between energy agents in order to dominate the energy balance of states, increasing the production and extraction volume, the role of natural gas;

- mass investments in developing scientific researches and structural experimental, creating new types of petrochemicals products;

- tightening the environmental requirements not only in the industrialized countries but also in the developing ones;

- using the latest technologies and information systems, establishing long-term business relationships between producers and consumers and in this way, achieving deeper expectations, stability and balance in the oil sector development;

- increasing the competition in all business oil sectors as a result of creating large and powerful structures in Asia, Eastern European states, Russia, the former USSR and other regions, increasing the general privatization of oil companies, increasing the number of small and medium independent oil companies;

- particularly, it should be emphasized the emergence of new approaches of the major oil companies in issuing the perspective strategies, this being conditioned by changes of form and method of entrepreneurial activity, including the following:

- reducing the control over the company's external environment under the influence of socio-political sources, the increase of state company's influence being in developing;

- transition to a new technological foundation, based on different kinds of voluminous scientific ways of changing the positions report of sectors in global economy;

- the system of relationships within the company, the corporate and cultural ethics, become difficult.

In this way, in the years and decades to come, all major oil companies will have to live a more severe competitive struggle for financial, human and material resources, not only among themselves, but especially a struggle for investment with the new companies from the major sectors of economy, the production of electronic equipment for providing telecommunication services, information and others.

2. Future perspectives

The global oil market should detent at the end of 2011, due to a comfortable level of surplus production capacity, the International Energy Agency (IEA) estimated. According to IEA, the surplus production capacities, followed carefully by the global markets because it provides a safety margin in case of a problem in an important producing country, it is likely to increase up to 4-6 million barrels per day in 2011, compared with 2010 levels.

Much of this increase will come from the investments recently announced by the Organization of Petroleum Exporting Countries (OPEC) with the purpose of increasing the production of oil and liquefied natural gas. IEA considers that the last seven years of increased rate of oil, have visibly affected the oil market. By the end of 2011 and 2012, the oil demand will increase compared to the oil offer, as a result of global economical recovery, after the global financial crisis in 2008.

Thus, IEA estimates that the global oil demand will increase by the end of 2011 up to 89, 13 million barrels per day and by the end of 2012 up to 90, 21 million barrels per day. It should also be added the increase of refining capacities that will be initiated in next period. Nowadays, the insufficient refining capacities are a reason that the markets are being afraid of possible insufficiencies in providing refined products. However, IEA warns that according to his estimates, the increase of states oil production not members of OPEC will be much slower than the demand, also repeating that massive investments and increasing the energy efficiency are needed in order to solve the problem.

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Energy Reality

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Abstract

Oil industry has always been affected by interdisciplinary factors that can change the trend of this market.

Main reality of this global resource is that the most powerful states don't have the largest share of oil resources. Thus, these are using the financial and political power, are struggling to gain the energy supremacy.

Even if it was one of the pioneer states in oil industry of XIX century, Romania has passed over a series of events which led her in an actual position of refiner and consumer on the oil, initially from the position of a player directly involved in the regional market share.

Key words: oil, influence factors, oil dependency, OPEC, OECD, Romania.

J.E.L. classification: Q40

1. Major factors of influence

The recent history of the oil market fluctuations allows identifying factors that have been and will be affecting for a long time.

The main oil-producing countries, economic growth and oil prices are closely correlated. In these countries, higher prices encourage increased imports, and this, along with population growth, increased consumption requires energy in the domestic sector. A higher domestic consumption means less available for export and therefore increase the price of oil offered external clients. If they are not willing to pay, the provider will waive delivery will reduce the price or will cause a crisis. Thus appears when demand causes a shortage of energy in oil-producing countries and, even during 2011, is expected

to decrease exports and a rebalancing of prices.

Second, there is interdependence between oil prices and diversity of derivatives required. The oil price increases, especially heavy on derivatives. When oil prices reach a certain level, derivatives producers are moving towards other raw materials and other products, abandoning dependence on oil. With global demand will increase as oil, it will decrease the demand from manufacturers derivatives, be willing to switch to other activities or to other technology solutions. On the other hand, there are countries that can ensure their own oil needs. The danger is that they are not important. Manufacturers develop their early cautious consumer sectors, to take, at least partially redundant consumption. Thus, producers are producers of oil derivatives and their market launches: petrochemicals, plastics, aluminum. They know the alternative industry to build faster than the speed with which former beneficiaries manage to put up their own sources. If successful, they decrease the supply of oil to export and behold, there again the shortage of oil; prices raise again and again thriving trade.

Thirdly, the oil trade is hit by a vicious circle between oil prices and dollar value. High prices in the U.S., generates financial deficits, which weaken the dollar. On the other hand, a weak dollar increases the value of oil, which immediately presses towards weakening the dollar and further price increase. Basically, a barrel of oil price increases and only uncontrolled market can stop by her laws.

Finally, the price is influenced by fiscal or monetary policies of consuming countries. To combat the impact of rising oil prices, consumers often adopt expansionary economic policy, reducing the interest rate

and increasing public spending. Policy also allows maintaining economic growth, even under high oil price. But in this case, there is unwanted vicious circle as a price support artificially high, indicates an even more exuberant.

The best alternative to monetary and fiscal expansion remains still the unwanted economical recession, only able to have a real impact and efficient on controlling the prices to increase indefinitely. Given the current crisis in the Middle East and hydrocarbon losses in Yemen and Libya, energy demand is growing, but it will not be achieved in the Middle East by increasing extraction in Saudi Arabia, which plans to keep constant the volume of exports, within OPEC. As a result, Middle will not have a significant impact on price growth.

2. Global oil reality

The global energy reality is as it follows: the most powerful states don't have the largest share of oil resources. Thus, these states, using the financial and political power, are struggling to gain the energy supremacy.

In this matter, the tactics used as a control method and deeper entrance in the oil zone, are:

- Owning the world's largest oil companies, in this way, refining and distributing the refined products towards the intern and international consumption.

- Another tactic is the political, military or financial sustainment by other countries that hold important oil resources.

These two approaches have a placid effect.

- There is also a third tactic, with invasive and destructive effects, as all forms of violent events: wars, terrorist attacks, conflicts, terrorism, etc. From afar, in terms of oil, the US clearly emerges as the major competitor in oil game, the effects of its actions being very profound.

The highest quality and oil reserves are in the Middles East, with a substantial number from areal, all members of OPEC. On the other hand, USA is on the top of OCDE. From this perspective, it may cross the barrier of the state individuality. So, the oil energy analysis, in order to see things as a whole, is based on the following assumptions:

- Global demand for oil is representative through OCDE, the organization that represents the interests of the most powerful states in the world. It is easy to understand that its actions or position effects on a global level. Any other state, which is not member of this organization, hopes to join in, as its interests are intensive represented at a regional level and at a global lever as well. The chance of a state that doesn't holds important reserves of oil, so that it could be in the "other side", is to improve its national economy, so that it could get closer to the minimum standards approved by OCDE and by the economical rules. Thus, as the member states are more economical developed, the organization becomes stronger and its targets more powerful.

- The global oil offer which is represented through OPEC, and which holds states not so well developed. As I already specified, from the "barricade" demand it has been offered any kind of support to the one that offers, against benefits such as oil. On the other hand, at the level of global offer, all states that are not affiliated to any organization are divided and they have a customary presence on the oil market. The best example, is Russia which leans towards the interests of OPEC or remains solitary, regardless his position, it protects its own interests.

Gathering the global demand, consisting OECD and non-OECD with global offer OPEC and non-OPEC, leads to reference prices, also followed by creating the energy balance and profile markets. Specialized statistics have shown that no matter which would be the technological industrial progress or any other policies adopted and applied, the energy balance will always be tilted by the disproportion between the demand that exceeds the abundant oil offer, regardless of time taking in consideration or the analyzed quantity. The analysis of oil market is made in terms of the four groups, two of which have organizational representation and are in a constant interdependence with mutual effects.

Oil market has valences of fundamental vector of the current global economy and that can change at any time the direction of a national economy.

3. Case Study: Romania

Even if it was one of the pioneer states in oil industry of XIX century, Romania has passed over a series of events which led her in an actual position of refiner and consumer on the oil, initially from the position of a player directly involved in the regional market share. Thus, making a parallel with the global reality, the following aspects to be considered in his case, are:

- Romania had no partners or similar associates around its area in to support mutual interest in oil.

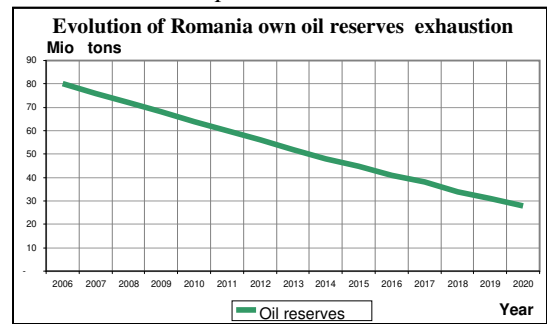
- It hasn't meet and it still doesn't meet the necessary conditions to be admitted in OPEC or OCDE.

- The only notable advantages held in oil industry were the refining capacities, which, after 1990 have been affected by the privatization process, so that the most of the profit margin being dispersed to other areas.

Currently, oil production in Romania is over exceeded by demand, the trend of dependence of extern oil resource being in ascendant trend. Assuming that Romania would have had the necessary support of maintaining state owned refinery and being able to apply extensive development and modernization programs, would have resulted another economical European position for the Romania's economy. However, giving the distinct reality from the assumption mentioned above, being that oil resources are exhausted and the dependence on imports is not a solution to sustainable economic development, Romania has to retrain towards other sources of energy.

A fair evaluation of the possibilities of covering energy needs in future has to be based on the current situation of the proven reserves, combined with realistic estimation of the potential resources in close relation with consumption forecasts determined by the final energy demand.

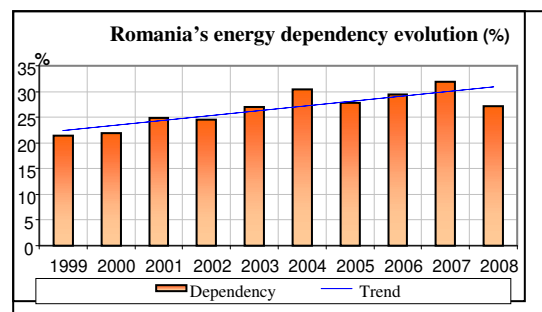
Table 1 – Romanian oil reserves exhaustion prediction



Graph representation of the database from the National Agency for Mineral Resources

It is concluded that the oil production in Romania will not increase from the utilization of national reserves. Coverage of energy demand increase will be possible by increasing the use of local sources of renewable energy and oil imports. The level of dependence will depend on discovering new exploitable internal sources, the degree of integration of renewable energy sources and the success of energy efficiency measures.

Table 2 – Romanian energy dependency evolution



Graph representation of the database from the National Agency for Mineral Resources

According to the statistics oil the national reserves oil reality, it is clearly seen that Romania has the case of reorient to other national potential energy sources.

Romanian Ministry of Industry and Resources embraces a strategy that is appropriate "integrated" oil industry through a systemic approach to activities and flows of all economic components (exploration, production, refining and petrochemicals, infrastructure and distribution).

The strategy was developed in accordance with the objectives and priorities of Government, with the National Strategy for Romania's economic development on medium term. The overall objective of the strategy is to ensure conditions of the energy sector to meet energy needs in the medium and long term, affordable, appropriate to a modern market economy and a civilized standard of living, in terms of quality, food safety, with respect principles of sustainable development.

Given the role of energy for society and for all economic sectors, the development of this sector is done under the supervision of the State, through the development and enforcement of a sector strategy and short term by implementing a strategic document related policies.

Strategy's role is to define the main directions of development of the energy system in Romania between 2011 - 2035, considering the economic, social and demographic development, the status in the electricity sector and correlation of the energy policy.

In a context of increasing globalization, Romania's energy policies changes and develop at national and European level. In this context Romania's energy policies must be correlated with similar documents at European level to ensure our country's policy convergence with EU policy in this area.

Energy Strategy will pursue the main objectives of the new energy policy - EU environmental, objectives assumed by Romania.

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The Impact of the Current Economic Crisis for the Economic and Financial Development of Romania

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Abstract

The global economic crisis started in 2008 shook the global order we were used to in the last two decades and a crisis of such a span seriously tests the ability of each country to implement anti-crisis programs meant to provide an economic re-launch, and not all the countries can show the same efficiency in fighting against its effects and in implementing such programs that could restart the engines of the national economies.

The crisis expanded rapidly at global level, the national economies incurred difficulties of different degrees.

In conceiving of this paper we started with the idea that by emphasizing the situation of the credit institutions of Romania it can actually a real barometer of the actual state of our national economy. By this reason we did an analysis of the banking system performances that provide the sustainable development of the Romanian economy by the future.

Key words : macrostability indicators of Romania, financial policies, international financial crisis, International Monetary Fund, Romanian credit institutions.

J.E.L. classification: E00; E22; L10; L89.

1. Introduction

The expansionist monetary policies in the countries with developed economy generated global imbalances manifested by a substantial growth of the current account deficit in the U.S.A., simultaneously with the growth of the Asian countries over plus (especially in China), in the countries

exporting oil in the Middle East and in Russia where reserves were constituted, available for investments, including in financial tools that proved difficult to perceive by certain investors.

Despite these financial *imbalances*, the macroeconomic stability was kept; the economic growth and a reduced inflation were recorded in most developed states, thus encouraging a sub-evaluation of the risk and a relaxation of crediting conditions.

During the recent years, when the international financial crisis took effect in the economy of the most countries of the world, the countries have intensified the demands for obtaining the credit from the International Monetary Fund (IMF), as result of the financial crisis impact in the economy of these countries. The IMF financial assistance has as beneficiaries the Member States, which are faced with the balance of the payments difficulties and granted the right to buy the foreign currency with the national currency and the obligation to repurchase the national currency in a given time, at a higher price, the price difference is the operation cost.

Among the *microeconomic causes* of the current economic - financial crisis one can list: the deregulation of the financial institutions, the financial innovation and an easy offer of high ratings by the competent agencies.

For the European countries, the crisis was and continues to be an alarming signal, which severely hit the banks in the European countries in series of ways similar to the impact it had on the American banks.

Among these effects, its can list the following [1]:

- *asset loss*, due to the devaluation of the estates (especially residential estates);
- *major loss on the American supreme assets* (they represent, at the same time, one of the triggering causes for the current crisis);
- *alowed cash-flows*, the financing difficulty being a result of freezing the inter-banking global markets of money. Thus, many banks are forced to refinance each semester great parts of the accounting balance.

Particularizing at national level of the Romanian economy, the causes of the economic-financial crisis were:

- an unsustainable economic growth, based on internal and external economic - financial imbalances;
- transfer and external impact (banks, insurances);
- the volatility of the foreign capital;
- the exacerbation of the speculative character on the capital market (an inadequate relation between the primary and the secondary capital market);
- a loss of synchronism between the real and nominal economy (lack of correlation between profit, interest and economic growth);
- the real state sector expansion.

In 2009, the economic crisis increasing was made at a more strongly rate than expected, leading to a major contraction of the cash incomes. Starting from the collapse of credit, when the person indebted beyond the personal power, could not pay their loans, the crisis quickly spread to other sectors of the global economy with increased effects of the lower consumption and business confidence. Throughout the period of 2009, the IMF has mobilized all the resources towards covering the money needs of the Member States provided to adopt the suitable macroeconomic policies. Consequently, the IMF has adopted emergency some structural policies, applicable to both international and national level for the IMF member [2]:

- restoring the balance sheets of the affected financial sectors - refers to those actions taken to recapitalize banks and restore their balance sheets for the credit recovery in the economy, aiming to the economy revitalizing at the end; until

this to happen, the restoration attempts have been numerous;

- recognise the importance of the monetary policy - as a component of the domestic demand;
- transmission of the overall fiscal stimulus in 2009 and 2010 through the fiscal measures permission to exit from the crisis;
- substantial increasing of the international financial reserves to alleviate the pressure on the low-income country markets.

In April 2009, G20 members decided to triple the Fund capacity to lend up to \$ 750 billion, to double the resources for the underdeveloped countries and to expand the global liquidity with \$ 250 billion through an allocation of SDR. Consequently, during 2009 the IMF directives followed:

- the financial regulation and supervision to increase the regulation perimeter in order to avoid the new events that generate risks and imbalances. IMF does not want to establish its dominance, but to ensure that the adopted policies are respected. This oversight should extend to all sectors of activity; from the individual economies to the world markets (the commercial discipline must be recast). Also, the central banks should review its operating mode to increase the liquid reserves of the system;
- adaptation of the financial arrangements to prevent the Member States needs. IMF arrangements should be improved to a better suit to the circumstances of each country and to encourage states to approach the Fund in a manner close;
- improving the bilateral supervision focused on the cash flow to avoid the systemic risk in the economy and a better macroeconomic and financial integration of the work sector;
- improving of the international cooperation and multilateral surveillance.

IMF welcomes the oversight reforms proposed as the most important reforms to avoid the burden of the weak countries / underdeveloped with new restrictions and commitments. Also, optimizing the actions of the Member States in the policy adopted international cooperation plan is another field of action of the Fund. Like other affected

countries by crisis and Romania needed the resources of the Fund, and in May, 2009 the IMF Board approved a new stand-by agreement for 24 months, amounting to SDR 11.44 billion (12.95 billion euros). IMF welcomes the oversight reforms proposed as the most important reforms to avoid the burden of the weak countries / underdeveloped with new restrictions and commitments. Like other affected countries by crisis and Romania needed the resources of the Fund, and in May, 2009 the IMF Board approved a new stand-by agreement for 24 months, amounting to SDR 11.44 billion (12.95 billion euros) [2].

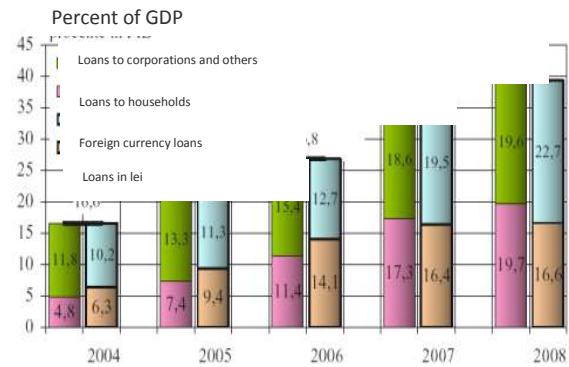
2. The Romanian capacity of economic and financial development during the international financial crisis

Average GDP growth in Romania, in the period 2003-2008, stood at over 6.1% per year, the foreign direct investment and the capital inflows are factors with the significant contribution to increase the consumption and investment.

The fiscal policy has played a strong procycle role and the budget deficit increase from less than 1% of GDP (2005) to almost 5% of GDP until 2008.

The credit rapid growth that fuelled this boom has produced a large exposure of Romania to the global financial difficulties and the volatility of the exchange rate. The foreign borrowing of the Romanian banking system led to a rapid increase of the domestic credit, which reached an annual average of 50% in the last four years. Over 50% of the domestic private loans were in the foreign currency and most belongs to the population or to the companies exposure at the risk, which generated an substantial indirect exposure of the banks to the currency risks, even if, in the bank balance sheets there weren't large disparities currency (graph.1).

Graphic 1. The credit structure of the private sector between 2004-2008 years



Source: Isărescu M., 2009, p. 34

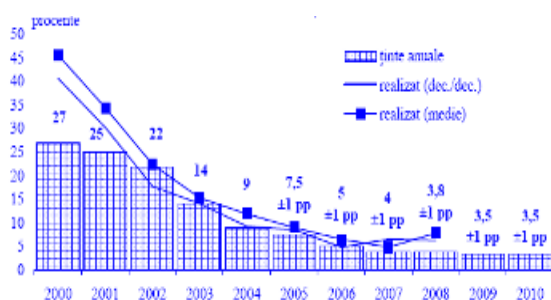
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During 2004-2008 years, by the actions implemented of the central bank have resulted:

- increase the monetary policy rate (10.25%) and the minimum reserves required (18% for liabilities in the national currency and 40% for liabilities in the foreign currency);
- measures to limit the exposure of the population debt, especially in terms of the mortgage debt;
- strengthened the prudential regulations to limit the foreign currency lending to the households and to the companies exposed to the currency risk and tightened the restrictions on the public debt limit. All these measures have helped to a later braking of the household credit growth, however, the pressure induced by the expansionary fiscal policy and by the capital inflows could not pass the inflation target proposed by the National Bank of Romania for 2007 and 2008 (graph. 2).

Graphic 2. Inflation rate of Romania



Source: Annual Report of the National Bank of Romania, 2008, p. 24

The lax policies on the tax and income contributed to the overheating of the economy and supported its current vulnerabilities. The excessive growth of the expenditures, especially with the wages and pensions was the main problem and helped to supply the domestic demand growth [3].

The Romanian industrial production continued its downward trend in 2009 and the inflation remained relatively high.

The international country rating for Romania at the end of 2008 was reduced (to below the investment grade for the Fitch agency) with a margin greater than that of other countries in the region, reflecting the concerns of the international market for the sustainability of the Romania's current account large deficit, the uncertainties surrounding the prospects for the fiscal policy, the incomes policy and the financial health of banks with branches/subsidiaries in Romania. The impact has translated into significantly higher costs on the foreign loans contracted by the banks and the companies in Romania [3].

Although the banks are well capitalized into this crisis, the bad loans started to accumulate, especially, those granted in the foreign currency and the economic recession certainly deteriorated the quality of assets.

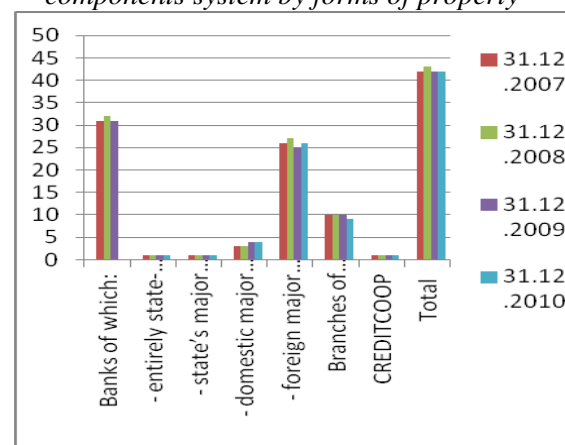
3. The effects of the current financial crisis the development of the credit institutions in Romania

The importance of the banking system in an economy is reflected in rendering efficient the process of capital mobilization and allocation, globally in the economy of a country, and in particular, purpose for which the banks must mobilize the internal

economies, allocate funds for the investments that would contribute to the structural changes in the economy and to the growth of productivity, to facilitate payments, thus as to be able to operate at low costs and to find more concrete correlations between efforts and effects, meaning between efficiency and effectiveness.

In the Romanian economy, the banking system remains one of the most profitable departments of the economy that tends towards development and towards challenges coming from the external environment. The transition to market economy imposed the development and implementation of a banking system similar to that of the European countries, one that could satisfy the demand of products and services in the economy. This process started from the current needs which imposed an **expansion of the banking network, thus reaching a number of 42 credit institutions nowadays**: 2 institutions have major or entirely state capital, 4 with major domestic private capital, 26 banks with major foreign private capital, 9 branches of the foreign banks and Creditcoop (see graph. 3).

Graphic 3. The Romanian banking components system by forms of property



Source: www.bnr.ro

Within 2009 - 2010 the banking market was marked by a moderation of the banking activity and a change of the banks orientation from a rapid expansion and quantitative objectives towards a mainly qualitative orientation regarding strategy, branches network, products portfolio/cost control. Among the 42 credit institutions in Romania, only RCB and DRB have a market rate of aprox. 37%, while the rest of the banks do

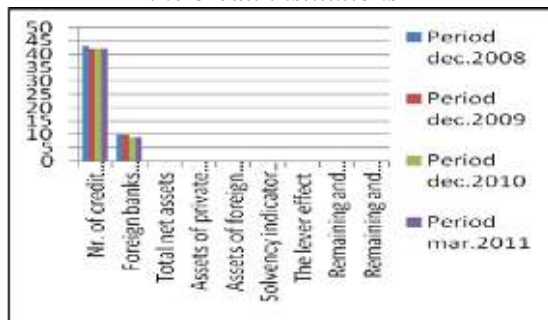
not exceed the limit of 9%.[3]

Keeping in mind the aspects I presented, we can state that the impact of the current crisis on the credit institutions in Romania is delivered through two different channels:

- **directly** by means of the transmission channel for shocks, measuring the changes of incomes realized by banks as a consequence of adversary conditions;
- **indirectly** by means of which one can approximate the possible reduction of their own funds as a consequence of expenses increase for provisions afferent to credit risk, within the context of accumulating a larger volume of unprofitable credits.

The Romanian banking system development and its entry on the Unique European market once with Romania's adherence to the European Union, a market dominated by competition, imposed the implementation of the agreement Basel II, involving a series of measures both for the banking companies and for the NBR. The implementation of Basel II in Romania starting with 2007 provided the compatibility of the Romanian banking system with those of the other member states of the E.U., but it also produced significant mutations in the architecture of the Romanian banking sector (graph. 4)

Graphic 4. Aggregated Indicators regarding the credit institutions



Source: www.bnr.ro

The reduction of foreign branches isn't exactly profitable because it reduces the competition in the banking system, with a possible impact on the rate of interest for credits, as banks can loan at a bigger rate of interest. At the same time, the reduction of foreign branches can have a profitable effect, because the credits in foreign currency granted by NBR will be reduced and its

monetary policy can be promoted on much more efficient segments.

The exposure to risk of the banking system can also be emphasized by the evolution of the main financial indicators and of banking prudence. The two indicators of banking prudence, that is ROE and ROA recorded a decrease, the biggest value recorded was in 2008, after which the profitability of the assets and of the capital was very low, reaching negative values at the end of 2010. This decrease occurred on the background of the NBR intervention rate of interest. The banks profitability was also blocked by the impossibility of extending the business segments.

The solvency rate recorded a slow growth from one year to another, the biggest value being recorded at the beginning of this year. This situation could point our attention to the fact that the banks were more careful in the crediting process, but the rate of unprofitable credits is still growing, currently recording the biggest value of the three years analyzed. The crediting activity is also decreasing, as Romania fights a high crediting risk at the level of the banking system, as a consequence of the difficulties that the Romanian economy encounters at present, such as: increase of unemployment, wage decrease, and more.

The rate of unprofitable credits is increasing continuously, reaching 12,71% in the first half of this year, fact which represents a reason for anxiety for the country's financial stability. This increase of unprofitable credits is the cause of several aspects occurred in the economy in the last three years, such as: the deterioration of the customers' economic-financial activity, as they can no longer fulfill the obligations of the crediting agreement; the bank's incorrect assessment of the credit risk which led to the explosive increase of credits within 2006-2007; the increase in the number of dismissals; wage decrease; prices increase; a large number of credits without warranties.

The National Bank of Romania (NBR) makes efforts to reduce the exposure to risk of credit institutions by a prudential survey, but we must notice the fact that it cannot eliminate risk but only reduce it. To provide the necessary resources in the economy, the NBR acted in the following ways: the flexibility of crediting the household sector;

measures of improving the bank liquidity indicator as well as regulations in the matter of solvency.

3. Conclusions

The financial and economical crisis strongly affected Romania's real and financial sector. The real sector was strongly affected by the increase in the rate of unemployment, a decrease of interest for investments, of the population available incomes, of productivity and of international trade. But the issue of the financial sector occurred as a consequence of the action of some macroeconomic and microeconomic factors. Macro-economically speaking, a reduction of the degree of financial intermediation took place, with a strong impact on the stability and efficiency of the entire banking system and on the entire economy. At microeconomic level, the more and more acerb competition, as a consequence of having foreign banks, forced the NBR to take harsher measures in the matter of prudential regulation and survey. The current Romanian banking system, despite the changes and imbalances recorded at the level of the Romanian economy proved to be stable, both from the point of its liquidity and of its solvency, but the depression of the crediting activity led to the deterioration of the assets and to a modest profit. One must emphasize the fact that the financial instability occurred in Romania from the outside and that most countries fight an economic crisis, fact which imposes the need to take some warning measures regarding the macroeconomic imbalances, both at the country level and at regional level.

The authorities also discuss the implementation of Basel III proposals, concerning the demands of capital in order to complete the current framework for indebtness observation. The purpose of this Agreement is to develop a macro-prudential framework and to insure the financial stability. The conclusions that can be determined from the analysis we realized are that external resources of the credit institutions credit slowly compressed starting 2009 in line with the regional trend, reducing the dependence of banks towards external financing.

The mother-banks promoted the increase of the branches efforts in collecting deposits from the local markets. As a consequence, a slow increasing trend is recorded in reserves and deposits attracted from resident physical persons. The predominance of short term deposits maintains a lack of correlation by maturities of liabilities and assets, the banks their long term assets with short term resources. The credit institutions own resources gradually increased based on the new capital growth, on contracting new loans subordinated from the mother-banks, as well as on the distribution of a consistent amount of money with the destination of the reserves from the profit afferent to the year 2008. The placements of the credit institutions were directed towards the internal market, predominant under the form of securities; collateral, after a contraction tendency of the credit granted to the nongovernmental sector during the main part of the analyzed period, in June 2010 was recorded a real increase of this one. The extension of the uncertainties on the international financial market as well as the strategically corrective reaction of banks could emphasize the mutations in the structure of the Romanian banking sector balance.

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The Economy of the Romanian Naval Transports, in the Period 1900 – 1914

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Abstract

*This article analyses, in the unitary conception, the forming and the evolution of the most important elements of infrastructure which laid the base of **Economy of the Romanian Naval Transports, in the period 1900 – 1914.***

Also, this article attempts to determine the total value of assets on the main components of the system infrastructure, following the next issues:

- *Ways of Communication on the Water;*
- *Fluvial and Maritime Ports;*
- *Naval Industry;*
- *the National Civilian Fleet- fluvial, maritime and fishing fleet.*

Key words: naval transport, fluvial and maritime fleet, ports, naval industry.

J.E.L. classification: B15, L92.

During the period **1900-1914**, the evolution of **Romanian Naval Transports** was established by the general economic conditions, by the existent financial availabilities for the acquirement from the external market of naval transport means, and by the technical possibilities of issuance of the main works in the port infrastructure and water communication ways.[1]

During this period, the Romanian economy registers the highest increase rate, compared to the previous periods. Despite of the economic crisis triggered by the dryness from 1904, shaken by the peasant rebellions from 1907, during the period we refer to, the agrarian production increases by about 47.61% from 4.2 millions of tones, the average of 1896-1900 years to 6.2 million tones the average of 1911-1915 years, and

the production of big enterprises adjusts from 230 million lei to 584 millions.

Table 1. Economy of Romanian Naval Transports, per components in the period 1900 – 1914

Item	Components	Millions of dollars
		1900-1914
1	Fluvial Ports and Navigable Roots, including Navigable Channels	23,17
2	Maritime Ports and Navigable Roots	13,47
3	Naval Industry	2,90
4	Fluvial Fleet	4,29
5	Maritime Fleet	5,35
6	Fishing Fleet	-
7	Naval Radio-Communication System	-
TOTAL ASSET		49,17

Source: PhD. eng. Dumitru Corduneanu, *The System of the Naval Transport from Romania in the XX century*, CTEA Publishing House, Bucharest 2010, p. 269.

Accordingly, during the period 1900-1913, the volume of external trade increases 2.5 times, from 497 million lei to 1261 million lei, the ponder of commodity export for the ends of the range being 56.33%, respectively 53.21%[2].

In this context, the establishment of a modern naval transport system, which has to be liable for the national economy requirements becomes an objective need. During the period we refer to, the naval transport means are the active ones in their evolution. For the development of infrastructure of *the Fluvial Navigable Ports and Routes, the Hydraulic Service* performs works of about **120 million lei gold**, from which 90 million lei gold were only used for the arrangement of navigation on Sulina arm and of the navigable channel between Varciorova and Tulcea, on a distance of about 830 Km, the rest of 30 million lei gold, were invested by the *Direction of Docks Galati and Braila* into modernization works of the port superstructure.

For the development of Constanta port and the arrangement of access ways, by the state initiative, *the Maritime Port Service*, performs important works for the construction of embankments, dams, basins, port territories, by the construction of platforms, warehouses, administrative buildings and the endowment with installations and plants necessary for the operation of commodities, the value of which is estimated at about **69.78 million lei gold**. Only until 1910, the investments made by the state for the development of Constanta port were listed at about 49.130 million lei gold[3] of which, for the construction of the first two warehouse-silos, of 30 thousand tones each one, there have been invested about 14.388 mil. Lei, the electrical factory and bloom cost the Romanian state about 6.056 mil. lei, the installations for the export of oil valued about 4.761 mil. lei, and the investments made for dams, embankments and technical, port vessels were numbered at about 4.5666 mil. lei gold. Consequently, the capital invested only in development works of the infrastructure of *Navigable Ports and Routes*, raise during this period at **189.78 mil. lei gold**, representing about **36.64 mil. dollars gold**.[4]

In the domain of *Naval Industry*, the investments made by the state did not have the same dynamics like in the case of port infrastructure, this fact being mainly due to the decal of about 50-100 years, with which the *Industrial Revolution* reaches in Romania, too. The most important naval site being in the state patrimony during this period is that from Turnu Severin, bought from the Austrians in 1893, by the amount of about 240 thousand lei gold, and until the end of the studied period, one more private network of naval workshops is developed, where it is noticed the Naval Site G. Fernic and the one from Giurgiu, the total value of investments in the *Naval Industry*, for this period, being established at about **15 mil. lei gold**, about **3 mil. dollars**.[5]

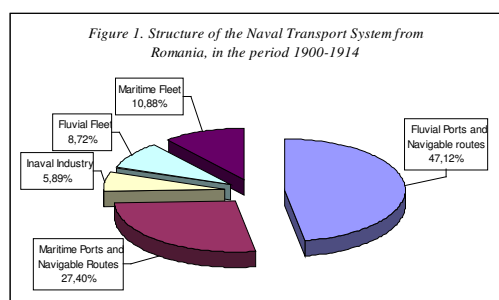
After the establishment, at the end of XIX century, of the two regular navigation services, the state makes important efforts for the development of *National Civil Fleet*, of increasing the number of ships and increasing of the transport capacity. From a capital of **8.696 million lei gold**[6], as the *Romanian Fluvial Navigation* benefitted from at the beginning of XX century, until the end of the period we refer to, it almost doubles, reaching to about **15 million lei gold**, and the investments made for the development of *Romanian Maritime Service* were numbered for the same date at about **19.27 million lei gold**.

For the same period, the value of investments made for the acquirement of ships, by the private field raises to at least 15.63 million lei gold, per assembly *the National Civil Fleet* benefitting of water transport means in amount of about **49.90 million lei gold**, meaning **9.63 million dollars**.

Cumulating, the previously mentioned data, we may conclude that until the burst of the First World War, the value of the total invested capital within the *Naval Transport System of Romania* raises to about **254.68 million lei gold**, which exchanged into forte currency represent about **49.17 million dollars**, being structured as *Figure 1*.

The biggest ponder within the *System* is held by the *Navigable Ports and Routes*, with about **75%**, the income of which, before the burst of the First World War was numbered at about 9 million lei gold at a value of expenses of 8 million lei gold,

registering a gross profit of about 1 million lei gold.



Source: PhD. eng. Dumitru Corduneanu, *The System of the Naval Transport from Romania in the XX century*, CTEA Publishing House, Bucharest 2010, p. 271.

At the opposite pole, as one may notice from the above graphic representation, the lowest ponder within the system is held by the *Naval Industry*, with about **5.89%**, which confirms the weak development of *Industry* during this period. Compared to the states of the Eastern Europe, the technical endowment degree is low, the movement force, expressed in C.P., our country benefitted of, was 10-15 times smaller than the England's one, 5-8 times smaller than the France's one and about 2-3 times smaller than the Austria's one.[7]

Needing an industry of metal and no branch of the construction of machines and plants, almost all the machines and plants were imported, so that until 1914, in Romania, the industrial revolution and the industrialization produced based on the technique and technology, our country being entirely dependent on the external suppliers, the capital invested in the Romanian economy resulting in rate of 81% from the external market, too, together with 42% from the engineering and technical staff, and over 30% from the administrative one[8].

Consequently, the endowment process of the *Transport National Fleet – Fluvial and Maritime* – could not be issued but by acquirements of ships from industrialized countries like England, Germany, France, Italy, Austria and Denmark, and the formation of navigating staff was issued by external support, too, with great capital investments, the Romanian economy did not benefit of.[9]

This will make that the ship park of the Transport Naval Fleet, to be quite restrained, not being able to satisfy optimum the transport request, given the fact that over 80% from the external trade of the country was issued on the water way, and the agrarian predominant character of Romanian economy determined a typical structure of external trade, greatly made of raw materials and agrarian products, with low unit values and a big volume – needing big transport capacities.

On the other hand, the development of the *Transport National Fleet* was balked by the competition of foreign companies too, belonging to certain foreign pavilions, like the English, the French, the Austrian, the Greek one, etc., which took over the biggest part of the volume of commodities, developed on the water way within our external trade, over 90%, cashing about 12-15% of the dispatch value of products, diminishing accordingly the sold of commercial balance and of payments.

However, until the burst of the First World War, by the supported action of the state, within the *Naval Transport System*, there are put the bases of a new infrastructure, of Occidental type, partially mechanized. Therefore, for the operation of commodities, there are introduced over 60 elevators, (26 at Sulina, 3 at Galati, 20 at Braila and 11 at Constanta), the two naval transport services – fluvial and maritime – within a quite short period of time – of only one decade and a half from the establishment – made important efforts for the endowment and modernization of the ship park.

During the analyzed period, *The Fluvial Fleet* has transported over 1,088 tones commodity and about 1,169 thousand travelers, issuing a total income of about **41.57 thousand lei gold**, and the *Maritime Fleet* has transported over 892 thousand tones commodity and about 156 thousand passengers, issuing a total income of about **44.62 million lei gold**, at a total of expenses of 59.22 million lei gold.[10]

As noticed from the presentation, the trading activity of SMR during the analyzed period resulted in a loss of about **14.5 million lei gold**. This fact, continued in the inter-war period, too, will be mainly endowed to the foreign competition, to which the company could not face, because

the ship park it benefitted to was made of old ships, of low capacities and speeds, and the maritime ships, compared to the fluvial ones need much bigger investments, taking into account the destination for which they are designed, the conditions they navigate in, and the high technique degree. Our maritime fleet only benefitted of 0.05 mil. trb., meanwhile England had a fleet of over 21 mil. trb., Germany about 5.45 mil. trb., France – 2.32 mil. trb., and Norway about 2.5 mil. trb. At this date, Greece owned only 0.84 mil. trb.[11] But citing the writer Jean Bart (the commander Eugeniu Botez in *Caile Levantului*) – “it would be a political and economical myopia to see only the direct deficit of the trading activity of SMR, without analyzing further the indirect benefits brought to the development of naval transports, our external trade, and formation and occupation of the labor force”.

Under the given conditions, the external trade of the main capitalist countries, being centered on the export of finite products, machines, plants, transport facilities, textile products, etc. and on the import of raw materials, determined the pavilion of these states to develop an important traffic of commodities by the Romanian ports, where from three articles were mainly charged: gross wood, cereals and oil products. By the structure of its external trade, Romania appeared like a supplying country of raw materials, dispatch market for the finite products of the developed countries and a placement country for the external capital; as an agrarian country, insuring the development, dependent to the market of industrial states, the negotiation of maritime transport contracts, the sale conditions, the prices of Romanian products, as well as those of acquirement of the foreign commodities were not established by our country, but by the foreign markets, sometimes with big disadvantages for the Romanian economy.

Between 1900-1913 years, the value volume of the international trade had increased by about 95% (from 323.1 mld dollars to 64.6 mld. Dollars), the ponder of the main capitalist countries at the end of this range being as follows: England with about 15.2% followed by Germany with 13.1%, France – 7.8%, Holland – 3.1%, USA and Japan with 11.2 and 1.6%, respectively.[12]

Compared to the beginning of the century, although England continues to hold the first place in the hierarchy, its ponder within the international trade decreases by 4.3%, the decal had before compared to Germany and USA greatly diminishing, the latter ones passing from the policy of free exchange to an aggressive protectionism. Despite these countries, England continue to practice the policy of free exchange, this being explained by the fact that, although it had lost a part from the supremacy of industrial production, first for USA, then in the Germany's one, it owned the supremacy regarding the colonial empire, the external trade, *the trading fleet* and the capital export. The practicing of free exchange corresponded to the interests of London, as worldwide trade and financial center.

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Offshore Financial Centers – A Recent and Debatable Reality in World Finance

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Abstract

Offshore Financial Centers (OFCs) have emerged as a rather recent and quite debatable reality in the world of international finance. So debatable is the issue that it does not even have a precise generally-accepted definition. Moreover, quite often confusion arises from the use of the more obscure term tax haven instead of OFC. Taxation, regulation, confidentiality, effects on international trade are some of the main aspects that give birth to debates on whether OFCs pose risks to the overall financial system or whether they are an incentive for investment into emerging markets and a beneficial competition that contributes to innovation in financial instruments and products and lowers costs of financial services worldwide.

Key words: offshore financial center, tax haven, jurisdiction, non-residents, bank secrecy.

J.E.L. classification: G15.

1. What is an Offshore Financial Center (OFC)?

There is no internationally agreed definition of what constitutes an offshore financial centre (OFC). Over the years, there have been many attempts to define the concept but there has been no real consensus. The term itself is a relatively modern neologism, first coined in the 1980s.

The various definitions given since then tend to be centered on the concept that an OFC provides financial services (usually in currencies other than that used domestically) primarily to non-residents (the majority of financial transactions conducted by institutions located in an OFC are conducted

on behalf of clients who reside in other jurisdictions), for whom it offers a favorable tax regime.

An OFC is a jurisdiction whose financial sector accounts for a significant—and disproportionate—share of its domestic economy. It is usually perceived as a small, low-tax jurisdiction specializing in providing corporate and commercial services to non-residents in the form of offshore companies and the investment of offshore funds.

By comparison, onshore centers may have rules that are considered by service providers and their customers as too demanding, tax policies that are too restrictive, disclosure requirements that are too extensive, or overall costs that are simply too high. Successful OFCs will generally have legal, regulatory and tax structures that avoid these "problems", although it should be stressed that the standards to which they operate are not necessarily out of line with international expectations of a jurisdiction which wishes to offer appropriate incentives.

OFCs, despite their name, are not necessarily islands, although many island jurisdictions have established OFCs.

Offshore does not describe geography. It most certainly does not refer to island locations, even though some OFCs are hosted within palm-beach lined domains. The term 'offshore' refers to the location of the customers of the OFC who are elsewhere. What this means is this: in the offshore world transactions are recorded in one place on behalf of parties who are actually elsewhere in the world (offshore). The transactions have the legal form of taking place where they are recorded, but their substance and benefit, occur elsewhere. By contrast, what onshore should, but does not always, mean is that the substance of the transaction takes place in the location where it is recorded and regulated.

Geographical features are not that important, but rather the characteristics that

an ideal offshore financial center must possess, such as a high degree of political stability, close geographical proximity to wealthy countries, communication infrastructure, well educated workforce, tourist potential.

Business conducted in OFCs covers a wide range of financial sectors, such as banking, insurance, and securities, and some nonfinancial activities, such as shipping registries. However, most offshore centers specialize in specific types of financial services.

Many offshore jurisdictions specialize in the formation of collective investment vehicles, or mutual funds.

But the greater appeal of offshore jurisdictions to form mutual funds is usually in the regulatory considerations. Offshore jurisdictions tend to impose few if any restrictions on what investment strategy the mutual funds may pursue and no limitations on the amount of leverage which mutual funds can employ in their investment strategy.

2. How Did OFCs Come About?

The first tax havens were created in the USA when Delaware and other states offered lower taxes and a relaxed regulatory environment to entice the relocation of business out of New York State in the late nineteenth century.

After the First World War things changed at global scale: cross-border trade increased and problems of double taxation of income between states began to be an issue.

In 1929 the House of Lords in Britain decided that if the directors of a UK registered company met in another country then the centre of that companies control was outside the UK and, so long as it did not trade in the UK it was not subject to UK tax on its profits. This decision had a profound impact on the development of offshore financial centers.

The Second World War put a halt to further offshore development.

It was the Bank of England to treat certain type of financial transaction between non-resident parties undertaken in foreign currency as if they did not take place in London and hence not under the regulatory and supervisory arm of the Bank of England

that created the offshore reality. Therefore, the offshore market emerged in September, 1957.

Since UK resident banks were excluded by the Bank of England from operating in this offshore market, they rapidly got round this by creating branch operations to achieve the same result in the Channel Islands.

From there, the offshore world grew exponentially, stimulated by financial deregulation and improvements in communications and information technology including fax machines and the internet.

The growth of offshore centers can be traced back to the restrictive regulatory regimes in many advanced countries in the 1960s and 1970s. These regimes blocked the flow of capital to and from other countries (excluding trade financing), or imposed restrictions on the interest rates banks could offer, or raised banks' funding costs in domestic markets (for example, through the imposition of high non-interest-bearing reserve requirements). These restrictions, which, in many cases, were intended to provide governments with more control over monetary policy, encouraged a shift of deposits and borrowing to less regulated institutions, including banks in jurisdictions not subject to such restrictions.

3. OFCs and Tax Havens

Quite often, the more obscure term tax haven is applied to OFCs, leading to confusion. The concept of tax haven has straightforward connotations of secrecy and tax avoidance policies, which is not the case for all OFCs, many of which have no statutory banking secrecy, and most of which have adopted tax information exchange protocols to allow foreign countries to investigate suspected tax evasion.

The central feature of a haven is that its laws and other measures can be used to evade or avoid the tax laws or regulations of other jurisdictions.

The main element of their attractiveness is secrecy, which includes strong bank secrecy and secrecy of legal entities. In other words, information is not available and cannot be obtained from banks (for tax collection purposes) or about companies and beneficial owners of trusts, assets, etc.

It is a mistake to confuse the term Offshore Financial Centre with tax haven. These two are quite separate and distinguishable if intimately related phenomena that jointly make up the offshore economy. Tax havens and OFCs together make up the 'offshore world'.

Offshore financial centers are not the same as tax havens. OFCs are the commercial communities hosted by tax havens which exploit the structures that can be created using the tax haven's legislation for the benefit of residents elsewhere. In other words, the offshore financial centre is made up of the accountants, lawyers, bankers, plus their associated trust companies and financial intermediaries who sell services to those who wish to exploit the mechanisms the tax haven has created.

Every tax haven aspires to be an OFC. Despite this it must be stressed that some tax havens have not really achieved the objective of being OFCs.

Until now all attempts to regulate the offshore economy have been focused on tax havens. As a prime solution to the turmoil that tax havens create, it has been recommended that the focus of regulation must shift onto limiting the impact of OFC operators within the global economy.

OFCs are made up almost entirely of firms with no strong economic ties to the tax haven they are using and are, secondly, staffed by people with, if anything, even lower commitment to that place. They are clearly highly mobile, which creates the real possibility that they will have relatively limited regard for the law of one jurisdiction, knowing how easily they can relocate if problems arise.

4. OFCs Assessment

Concerns about the potential risk posed by offshore centers to other financial systems have been raised in several international forums, including the Financial Stability Forum (FSF), the Financial Action Task Force on Money Laundering (FATF), and the Organization for Economic Cooperation and Development (OECD).

Many OFCs upgraded their supervisory and regulatory systems (for example, they enacted new legislation and established financial intelligence units to counter money

laundering activities), while others learned how to better supervise their institutions.

The OECD 1998 report identified four features of harmful preferential tax regimes: no or low effective tax rate; "Ring fencing" of regimes (preferential tax regimes are partly or fully insulated from the domestic markets to protect own economy); lack of transparency; and lack of effective exchange of information.

Offshore finance has been the subject of increased attention since 2000 and even more so since the April 2009 G20 meeting, when heads of state resolved to "take action" against non-cooperative jurisdictions. Initiatives spearheaded by the OECD, the FATF and the IMF have had a significant effect on the offshore finance industry. Most of the principal offshore centers considerably strengthened their internal regulations relating to money laundering and other key regulated activities. Indeed, Jersey is now rated as the most compliant jurisdiction internationally, complying with 44 of the "40+9" recommendations.

In 2007 *The Economist* published a survey of offshore financial centers; although the magazine had historically been very hostile towards OFCs, the report represented a shift towards a very much more benign view of the role of offshore finance, concluding that although international initiatives aimed at reducing financial crime are welcome, the broader concern over OFCs is overblown. Well-run jurisdictions of all sorts, whether nominally on- or offshore, are good for the global financial system.

5. Detractors' Views

The offshore world is designed to make things appear other than they are, and that is exactly what they do, this, in a nutshell, being the threat that they pose to the economic world.

These centers have been presented using numerous names and phrase, such as drug dealers of modern finance and pushers of instability.

OFCs are typically seen to foster a significant imbalance of scale between the external business and the domestic financing needs of the local economy. It is generally accepted that an OFC is a country or jurisdiction that provides financial services to

nonresidents. But the scale at which that happens is inadequate when related to the size and the financing of its domestic economy. There are authors who consider OFCs economies with financial sectors disproportionate to their resident population.

Critics argue that they drain tax from higher-tax countries and developing nations that are insufficiently regulated, and facilitate illegal activities such as tax evasion and money laundering while avoiding legal risk.

Critics of offshore jurisdictions point to excessive secrecy, particularly in relation to the ownership of offshore companies, and in relation to offshore bank accounts. However, banks in most jurisdictions will preserve the confidentiality of their customers, and all of the major offshore jurisdictions have appropriate procedures for law enforcement agencies to obtain information regarding suspicious bank accounts.

Statutory banking secrecy is a feature of several financial centers, notably Switzerland and Singapore. However, many offshore financial centers have no such statutory right. Many offshore jurisdictions have signed tax information exchange agreements based on the OECD model, which commits them to sharing financial information about foreign residents suspected of evading home-country tax.

International initiatives have largely stopped this practice of offering banking licenses to institutions with relatively little scrutiny. Very few offshore financial centers will now issue licenses to offshore banks that do not already hold a banking license in a major onshore jurisdiction.

There is increasing concern that, with the growing integration of financial markets worldwide, problems in a financial institution located in an OFC can be transferred rapidly to markets elsewhere.

There are at least three ways in which the current attack on off-shore financial centers is illegitimate. First, it flies against the notion of tax sovereignty. Second, the idea of off-shore financial centers is that they offer low tax because taxes are paid before money reaches them and after it leaves them. The off-shore centre acts as a "way station" that facilitates complex international trade and investment flows. There are no taxes or low taxes in the "way station" because the money is in transit. Taxes are paid at the beginning

and at the end of the journey, just not along the way. Third, responsible off-shore financial centers do have information agreements that allow tax authorities to share information.

6. Proponents' Views

Proponents suggest that reputable offshore financial centers play a legitimate and integral role in international finance and trade, and that their zero-tax structure allows financial planning and risk management and makes possible some of the cross-border vehicles necessary for global trade, including financing for aircraft and shipping or reinsurance of medical facilities. Proponents point to the tacit support of offshore centers by the governments of the United and United Kingdom.

Although most offshore financial centers originally rose to prominence by facilitating structures which helped to minimize exposure to tax, tax avoidance has played a decreasing role in the success of offshore financial centers in recent years. Most professional practitioners in offshore jurisdictions refer to themselves as "tax neutral" since, whatever tax burdens the proposed transaction or structure will have in its primary operating market, having the structure based in an offshore jurisdiction will not create any additional tax burdens.

A number of pressure groups suggest that offshore financial centers engage in "unfair tax competition" by having no, or very low tax burdens, and have argued that such jurisdictions should be forced to tax both economic activity and their own citizens at a higher level. Another criticism leveled against offshore financial centers is that whilst sophisticated jurisdictions usually have developed tax codes which prevent tax revenues leaking from the use of offshore jurisdictions, less developed nations, who can least afford to lose tax revenue, are unable to keep pace with the rapid development of the use of offshore financial structures. Offshore centers have often been seen as venues for money laundering of illicit activity. However, following a move towards transparency during the 2000s, some now argue that offshore jurisdictions are in many cases better regulated than many onshore financial centers.

Offshore centers act as conduits for global trade and ease international capital flows. International joint ventures are often structured as companies in an offshore jurisdiction when neither party in the venture party wishes to form the company in the other party's home jurisdiction for fear of unwanted tax consequences. Although most offshore financial centers still charge little or no tax, the increasing sophistication of onshore tax codes has meant that there is often little tax benefit relative to the cost of moving a transaction structure offshore.

Recently, several studies have examined the impact of offshore financial centers on the world economy more broadly, finding the high degree of competition between banks in such jurisdictions to increase liquidity in nearby onshore markets. Proximity to small offshore centers has been found to reduce credit spreads and interest rates, credit being more freely available in countries which have close relationships with offshore centers.

Low-tax financial centers are becoming increasingly important as conduits for investment into emerging markets. Since the livelihood of OFCs depends on their ability to attract global financial business, competition is strong. Such competition is beneficial when it contributes to innovation in financial instruments and products and lowers costs of financial services worldwide.

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Utilitarianism – Origins and Evolution

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Abstract

*The history of ethics is an essential part of the history of philosophy. Utilitarianism is an abstract ethical doctrine at the core of which lie the concepts of pleasure and pain. This approach to normative ethics may be regarded as England's most prominent contribution to the development of the ethical theory, since two English philosophers, **Jeremy Bentham** (1748-1832) and **John Stuart Mill** (1806-1873) are considered to be classical utilitarians. Bentham described utilitarianism as the greatest happiness principle. The principle of utility, forms the cornerstone of all his thought. Mill's famous formulation of utilitarianism holds that one must always act so as to produce the greatest aggregate happiness among all sentient beings, within reason. Mill's major contribution to utilitarianism is his argument for the qualitative separation of pleasures.*

Key words: utility, utilitarianism, ethics, hedonism, consequentialism.

J.E.L. classification: B12.

1. Utilitarianism – An Ethical Theory

One of the most powerful and persuasive approaches to normative ethics in the history of philosophy, utilitarianism is generally held to be the view that the morally right action is the action that produces the most good. The man ought to act so as to produce the best consequences possible.

The essence of this abstract ethical doctrine is in its concept of pleasure and pain. Utilitarian philosophy sees “good” as anything that increases pleasure and reduces pain. It is a philosophy of outcomes. If the outcome of an action serves to increase pleasure and reduce pain, then the action is considered good. At its heart, Utilitarianism is a hedonistic philosophy.

An action is right if it tends to promote happiness and wrong if it tends to produce the reverse of happiness—not just the happiness of the performer of the action but also that of everyone affected by it.

According to the Utilitarian, it is possible for the right thing to be done from a bad motive.

On the utilitarian view one ought to maximize the overall good — that is, consider the good of others as well as one's own good.

The basic principle of utilitarianism is: actions are right to the degree that they tend to promote the greatest good for the greatest number.

Utilitarianism is also distinguished by impartiality and agent-neutrality.

This theory defines morality in terms of the maximization of net expectable utility for all parties affected by a decision or action.

Utilitarianism is a simple theory and its results are easy to apply. It also allows for degrees of right and wrong, and for every situation the choice between actions is clear-cut: always choose that which has the greatest utility.

Utilitarianism is maximizing the value (utility) of the universe - which makes utilitarianism a *consequentialist* (goal-based) theory of ethics, as opposed to a *deontological* (rule-based) theory.

Utilitarianism is a well-known example of a branch of ethics known as consequentialism, which states that actions are morally judged by the impartially reckoned value of the consequences.

2. Types of Utilitarianism

Act Utilitarianism (or *Case Utilitarianism*) states that, when faced with a choice, we must first consider the likely consequences of potential actions in that particular case and, from that, choose to do

what we believe will generate the most overall happiness.

Rule Utilitarianism states that, when faced with a choice, we must look at potential rules of action to determine whether the generalized rule produces more happiness than otherwise, if it were to be constantly followed. Thus, an action should only be carried out if it follows a rule that morally should be followed at all times.

Two-Level Utilitarianism states that normally we should use "intuitive" moral thinking, in the form of Rule Utilitarianism, because it usually maximizes happiness. However, there are some times when we must ascend to a higher "critical" level of reflection in order to decide what to do, and must think as an Act Utilitarian would.

Motive Utilitarianism states that our initial moral task is to inculcate motives within ourselves (by means of teaching and repetition) that will be generally useful across the spectrum of the actual situations we are likely to encounter, rather than hypothetical examples which are unlikely to occur. It can be thought of as a hybrid between Act and Rule Utilitarianism, but it also attempts to take into account how human beings actually function psychologically.

Total Utilitarianism advocates measuring the utility of a population based on the total utility of its members. *Average Utilitarianism* advocates measuring the utility of a population based on the average utility of that population.

Negative Utilitarianism requires us to promote the least amount of evil or harm, or to prevent the greatest amount of suffering, for the greatest number (as opposed to the general, or positive, Utilitarian rule of the greatest amount of good for the greatest number).

Sentient Utilitarianism states that the well-being of all sentient beings (i.e. conscious beings who feel pain, including therefore some non-human animals) deserve equal consideration with that given to human beings, when making moral decisions in a Utilitarian context.

Ideal utilitarianism involves tallying any consequence that we intuitively recognize as good or bad (and not simply as pleasurable or painful).

Preference utilitarianism involves tallying any consequence that fulfills our preferences.

3. Precursors to Classical Utilitarianism

The origins of utilitarianism are often traced as far back as the Greek philosophers (**Aristippus of Cyrene**, **Epicurus**, **Parmenides**).

A hedonistic theory of the value of life is found in the early 5th century BC in the ethics of Aristippus of Cyrene, founder of the Cyrenaic school, and 100 years later in that of Epicurus, founder of an ethic of retirement, and their followers in ancient Greece.

Early precursors to the Classical Utilitarians include the British Moralists, **Richard Cumberland** (a 17th-century moral philosopher), **Shaftesbury**, **Francis Hutcheson** (a British "moral sense" theorist), **George Berkley**, **John Gay** (a biblical scholar and philosopher), **John Brown**, and **David Hume** (a Skeptic, Scotland's foremost philosopher and historian).

Some of these earliest utilitarian thinkers were 'theological' utilitarians. They believed that promoting human happiness was incumbent on us since it was approved by God.

The early utilitarians were democratic (social policy ought to work for the good of all persons, not just the upper class; where interests conflicted, the best choice was to aim at satisfying the interests of the majority), progressive (they questioned the status quo; if a program was not working well, it was time to change it), empiricist (observation would determine whether a policy was successful or not; we only know what is good by observation or by appeal to experience) and optimistic (human wisdom and science could improve "the lot of humanity").

4. Classical Utilitarians

The Classical Utilitarians, **Jeremy Bentham** (1748-1832) and **John Stuart Mill** (1806-1873) (Bentham's godson and student), were concerned with legal and social reform.

Bentham's major philosophical work, published in 1789 is titled *An Introduction to the Principles of Morals and Legislation*. It can be divided into 3 parts: views on what

motivated human beings, the principle of utility, the *Felicitific calculus*.

Bentham famously held that humans were ruled by two sovereign masters — pleasure and pain. He found pain and pleasure to be the only intrinsic values in the world. From this, he derived the rule of utility: the good is whatever brings the greatest happiness to the greatest number of people.

Bentham begins the ethical part of his book with a blunt statement of total human subordination to pleasure and pain: "Nature has placed mankind under the governance of two sovereign masters, pain and pleasure."

John Stuart Mill wrote a famous (and short) book called *Utilitarianism*. Mill differs from many current utilitarians in that he considered cultural and spiritual happiness to be of greater value than mere physical pleasure.

In his famous 1861 short work, *Utilitarianism*, John Stuart Mill both named the movement and refined Bentham's original principles.

John Stuart Mill maintains that some *kinds* of pleasure are more desirable and more valuable than others, thereby making differences in the qualities of pleasures as well as in the quantities of pleasure relevant to moral deliberations. The standard reading of Mill's test for pleasures of higher quality is as follows: One pleasure is of higher quality than another if and only if most people who have experienced both pleasures always prefer the first to the second regardless of their respective quantities. The standard reading suffers from two problems

Mill argued that cultural, intellectual and spiritual pleasures are of greater value than mere physical pleasure as valued by a competent judge (which, according to Mill, is anyone who has experienced both the lower pleasures and the higher).

In his essay *On Liberty* and other works, Mill argued that Utilitarianism requires that any political arrangements satisfy the liberty principle (or harm principle), according to which the only purpose for which power can be rightfully exercised over any member of a civilized community against his will, is to prevent harm to others, a cornerstone of the principles of Liberalism and Libertarianism. Some Marxist philosophers have also used these principles as arguments for Socialism.

The main difference between the two of them is that Bentham wants us to consider only the quantity of pleasure, While Mill wishes that we consider also the quality. Intellectual pleasure is, to Mill, of greater value than sensual pleasures (sensual here, intending pleasures of the senses).

The classic utilitarianism of Bentham and Mill influenced many other philosophers and the development of the broader concept of consequentialism. As a result, the correct definitions of utilitarianism and consequentialism and the exact difference between these two schools are not always entirely clear, even among philosophers.

5. 19th and 20th Century Utilitarians

One of the leading Utilitarians of the late 19th century, a Cambridge philosopher and economist, **Henry Sidgwick** (1838 – 1900), author of *Methods of Ethics* (1874), rejected the theories of motivation as well as Bentham's theory of the meaning of moral terms and sought to support Utilitarianism by showing that it follows from systematic reflection on the morality of "common sense." Most of the requirements of commonsense morality, he argued, could be based upon Utilitarian considerations. In addition, he reasoned that Utilitarianism could solve the difficulties and perplexities that arise from the vagueness and inconsistencies of commonsense doctrines.

In political economy he was a utilitarian on the lines of John Stuart Mill and Jeremy Bentham. His work was characterized by its careful investigation of first principles, as in his distinction of positive and normative reasoning, and by critical analysis, not always constructive.

In philosophy he devoted himself to ethics, and especially to the examination of the ultimate intuitive principles of conduct and the problem of free will. He adopted a position which may be described as ethical hedonism, according to which the criterion of goodness in any given action is that it produces the greatest possible amount of pleasure. This hedonism, however, is not confined to the self (egoistic), but involves a due regard to the pleasure of others, and is, therefore, distinguished further as universalistic. Lastly, Sidgwick returns to the

principle that no man should act so as to destroy his own happiness.

A British philosopher, **G.E. Moore** (1873-1958), a pioneer of 20th-century Analysis, regarded many kinds of consciousness—including love, knowledge, and the experience of beauty—as intrinsically valuable independently of pleasure, a position labeled "ideal" Utilitarianism. Even in limiting the recognition of intrinsic value and disvalue to happiness and unhappiness, some philosophers have argued that those feelings cannot adequately be further broken down into terms of pleasure and pain and have thus preferred to defend the theory in terms of maximizing happiness and minimizing unhappiness. It is important to note, however, that even for the hedonistic Utilitarians, pleasure and pain are not thought of in purely sensual terms; pleasure and pain for them can be components of experiences of all sorts. Their claim is that, if an experience is neither pleasurable nor painful, then it is a matter of indifference and has no intrinsic value.

G. E. Moore suggested that we should strive to maximize ideal values such as freedom, knowledge, justice, and beauty.

The world may not be a better place with more pleasure in it, but it certainly will be a better place with more freedom, more knowledge, more justice, and more beauty.

In *Principia Ethica*, Moore contended that goodness cannot be analyzed in terms of any other property. Therefore, we cannot define "good" by explaining it in other words. We can only point to an *action* or a *thing* and say "That is good." Similarly, we cannot describe to a blind person exactly what yellow is. We can only show a sighted person a piece of yellow paper or a yellow scrap of cloth and say "That is yellow."

Moore's candidates for intrinsic good remain difficult to quantify. In addition to categorizing "good" as indefinable, Moore also emphasized that it is a non-natural property. This means that it cannot be empirically or scientifically tested or verified - it is not within the bounds of "natural science".

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Knowledge Management in a Future Acceptance

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Abstract

Management can provide tools for the transfer of knowing, but its power to get people to use it is strictly limited. Gross imposition, without the knowledge management activities often leads to symptomatic line. It is vital to take into account the views of staff in the implementation and detailed design of knowledge tools and processes. Staff motivation is the enthusiasm of a new management tool, a new technology and new possibilities, not least by the benefits the organization, their success is a persuasive example. Excitement and opportunities may arise at any time, it is important that they are actively sought and fully exploited to take advantage of knowledge systems.

Key words: Management, tool management systems, knowledge

J.E.L. classification: I 25, M 12, O 10

There are various professional services to the activities carried out by companies in many ways, even though these are subject to similar pressures from increasing market competition.

Expectations and knowledge management approach must relate differently in accordance with market requirements. An important premise of the last 10-15 years is whether the basic principles of organizational learning and knowledge sharing can apply everywhere, and if many of the techniques can be used as the basis for success, on the implementation details instruments that must be designed in practice given the organizational context.

The famous saying "God is in details", it is equally suitable for knowledge management. In this paper we will consider the implications of this, but also revised some differences worth of professional organizations and their consequences.

Most industrial organizations develop and reproduce identical products on a large scale - cars, TVs, PCs, socks, steel bars, barrels of oil, tons of concrete, insurance policies, operations, retail, travel by train etc. - while professional services organizations (if consulting companies), deals with unique transactions such as buildings, medical treatments, consulting projects.

The most important consequence of these differences is that the "multiplication" increases the value, especially in operational efficiency and product quality, and creates the possibility of large gains. The transfer of good ideas, even if it is new company can cover the annual cost of a knowledge management program, these benefits can justify the investment in testing and improving the transfer process.

A structured program of training and knowledge transfer, management focused on improving processes based on project results such as the reduction of direct costs, reducing implementation time that involved cutting costs as a consequence, they are multiplied by the number of projects over a certain time. These programs are a powerful advantage for knowledge management and "study cases" can convince both skeptical and indifferent people

Because of indirect benefits, sometimes diffuse and difficult to quantify, it is more difficult to justify generous investment in knowledge management and to motivate staff to do everything to work in this regard.

In the context of consulting services, overlapping roles within the organization between ownership, management and employees is another factor that makes progress in knowledge management more difficult than in industry, these functions are separate. This overlap of functions make decisions in the hands of people whose incomes are directly affected by short-term profitability and make the investment company level depend on the interdependence between several people.

For consulting companies this is a negative trait for activities such as knowledge management, providing significant benefits, even if they are hard and can take years to bring achievements, in exchange for immediate, however small, costs.

One of the principles of behavioral economics is based on the idea that most people are against losses, thus abandoning the possibility of obtaining substantial earnings to avoid losses and put more effort to avoid a loss than to secure a win.

Another principle is to define strategic decisions influenced consisting of too much short-term repercussions and too little of the long term from a lack of well structured. The decrease in revenues from each project completed and personal motivation to try something new even when repetition could be more economical, leading to an aversion to looking for projects completed in order to learn from them, and to transfer other knowledge obtained. Looking back costs money, a personal sacrifice of time and the information may not be relevant for the next project.

This is different from consulting services to a typical production situation, where there is a conscious effort to make each new product to improve its predecessor, reducing production costs by identifying weaknesses and inefficiencies of the product, finding ways to eliminate them and counter competitive products.

Even in the context of a decision to invest in knowledge management, entrepreneurial culture Romanian companies operate more like a collection of "independent" barons than a well structured organization, which is not uncommon in such consulting, a Key accounting not convinced of knowledge management can completely block progress. In this constellation, the appointment of a

CKO (Chief Knowledge Officer) is unlikely to differentiate between a discretionary activity without gain, which was derived from the business without professional status, his position will be too weak.

There are character and professional obstacles are less subject to managerial decisions. Architects, engineers and doctors are trained to have autonomy, they are often reluctant to believe that anyone else knows them better than what they do and resist anything that interferes with their professional independence or their creative freedom. The consequence is that many professionals seeking information and advice only when forced, and often tend to look at the resources of knowledge as a last resort.

Learning and knowledge sharing in an environment like this requires deep cultural change is a major challenge for leaders who want their companies to use in practical knowledge management.

These obstacles can be overcome by leaders and managers ready to take difficult decisions:

- defining company strategy that incorporates knowledge management;
- to accept the possibility of a small, short-term reduction in income;
- make any necessary financial investment;
- delegate staff time, consciously for knowledge management;
- provide budgets for staff activities related to knowledge management;
- creation of tools (information management, communication platforms, etc.).

There is an important reason to make knowledge management a strategic priority:

- short and medium term to improve competitiveness;
- long term and as a prerequisite for survival.

There are many features that can be learned from how the industry used them in the last 10-15 years, but the consulting services industry differs from this area, so copying their approaches, tools and techniques leading unlikely to make it successful and to be adapted. Implementing knowledge management in consulting will be supported or not, depending on clear thinking, motivation and determination of managers.

Consulting companies have knowledge management as a strategic element in the strategic management can benefit from:

- motivated staff;
- develop superior service;
- A better Customer Relationship
- Management;
- Innovation and performance;
- Increased profit.

If the aspirations of consulting companies are considering knowledge management as a basic element of business strategy (modeling strategy, processes and tools), the role of knowledge in the context of organizational work to enable investment in this respect is the human psychology and combination of human resources in knowledge management process that can be, among others:

- Create the vision impaired
- Transmission of poor vision;
- Inconsistency between the considerations expressed and felt;
- Lack of time required to use knowledge organization members;
- Managing the organization's failure to acknowledge the members of knowledge.

These deficiencies have roots at a high level of management organization it as "locomotive" or main engine in practice and highlight the organization's strategy, but if the "engine" creates an organizational culture conducive to the inspiration, tenacity and support, successful implementation is sure.

The degree of success of implementing knowledge management is the decision in consideration it as a bureaucratic function without a clear relationship with the organization's results, so that the relationship with the basic strategy should only one resonance in all departments to ensure positive results.

Professional practices are generous members of an organization at both the functional and intellectual, which are typically managed by persons who are owners of the organization and remain involved in all their daily activities.

To raise issues that can be interposed in the successful implementation of knowledge management must be detailed following:

- Practice requires us to consider the disparity between expression and feeling as a manager can be expressed directly in the adoption of knowledge management,

but not consistently apply its implementation. (For example: people who leave the lamp lit in unused rooms or leave the water run continuously without using it).

- Defining the vision is a decisive factor, it should be simple to have a complete character, transparent and easy to follow, you must create an image in the minds of staff, to carry a load to evoke emotional and mental images. Knowledge management should be guided by generating ideas, framed in a vision that shows how it can contribute to the future success of the organization. Without a strong vision, initiatives tend to lose focus, coherence and disappear.
- Communicating the vision is usually due to the leader. The vision of the company shall be interpreted and transformed into concrete and practical action plans, in this context, other subordinates (managers) have to reinterpret the vision, subjective, progressively adding details in a concrete manner, creative and transparent, stand close from the definition of the vision. In this sense, the entire governing body of an organization to implement the vision and strategy to access the vision is implemented through their daily decisions.
- Qualified personnel. In a organization it is essential that first adopted to be prepared to struggle with unfamiliar tools and techniques and make them work. Project organization and analysis of practical community events, writing articles in the knowledge that their management requires professionalism and transparency to be viewed with interest and motivation by employees in the implementation of projects. Fortunately, only a few tools, platforms and IT & C, need a large number of contributors to become useful.
- Delaying or delayed "Timing" of adoption of the strategic decision to implement knowledge management is a factor which gives them fade it benefits an organization. There are indeed major corporate activities and less urgent than knowledge management, but knowledge itself is the key to future business success, not being able to be a delay

penalty quantification in a clear knowledge management.

- Time allocation is also a major factor in implementing knowledge management. When an organization has built awareness activities in entrepreneurial culture, they do not require of staff time. Takes time but save even more by allowing people to work more efficient and creative means of accessing knowledge transfer to become automatism, and at the same time pressures that prevent people to play key role must be identified and reduced.
- Persistence. Marginalization of knowledge management is exposed to a constant risk to its integration in knowledge-based thinking in the mentality of employees, entrepreneurial culture that, at the corporate level. Managing the implementation of the knowledge may prove to be a success when it ceases to be a conscious effort to become a habit. This requirement continues after encouragement, support and sometimes pressure along the management chain in a long time. Integration can not be delegated, as was also stated by the management of an organization's environment.
- Systematic review of the experience can be useful even in the smallest practices, but the organizational level requires a critical mass of users to become profitable. The more active the users (critical mass) is higher, the more potential benefits increase the number of possible connections between people and the value of qualitative and quantitative knowledge base increases proportionally. Interdependence between knowledge management and other corporate activities can provide valuable data and material criteria for the composition of project teams and activities of the department of human resources, and personnel evaluation.
- Strategic alignment needs to be driven by business needs and priorities of high-level corporate through vision, aspirations, objectives and targets so that the direction and priorities of major initiatives and investments that have the knowledge. In the context of knowledge

management it may mean giving priority to activities that can support a valuable discipline, and creative design or analysis looking at retrospective analysis to improve the quality and operational efficiency.

- Misperception. The insurance company's future organization may be based on the importance of knowledge, but it does not matter core staff, they will not work in the office than to be slightly easier or more rewarding.

Conclusions

The manager is required to be directly involved in the development, namely defining the vision to be able to communicate with confidence, to win hearts and minds of organization members. To capture the full attention of the transmission of vision, communication must be done "face-to-face" and the comprehension and commitment towards it must be made consciously.

The failure of managers to predict and fit the user's point of view often cause atrophy of knowledge initiatives. This deadlock is not specific knowledge activities, automatically lead to loss of enthusiasm. User's vision in every aspect of knowledge management is crucial, and is not considered enough in the early stages of development of vision or strategy, or creating tools and processes, yet it must have a permanent influence.

Consequently, management at all levels must ensure that staff knowledge is involved in activities so that they become habits. This requires sustainable promoting and encouraging, also ensuring that the employees ignorance towards knowledge management is eliminated.

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Features and Tools Implementation of Knowledge Management

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Abstract

Learning is a very diverse activity: learning a PIN number, a poem, recognition of one's American Civil War, understanding the electrodynamics equations, driving a car, design a building and managing a project are very different experiences. And since most of us can learn to recognize a face without conscious effort, the memory of four random numbers requires some conscious attention, usually learning how to drive takes 30-40 hours of practice, and it takes 10 years to qualify as a neurosurgeon (in Britain). Despite the variations of time learning the same memory processes are involved in all activities, they are also essential to use knowledge.

Key words: leadership, motivation, learning, knowledge management, reward.

J.E.L. classification: I 25, M 12, O 10

Research has shown that infants develop an extremely sophisticated understanding of causality and mechanics before they can talk about them. For example, they learn quickly that, for a brick to push another brick it has to be in contact with her, and begin to use objects as tools to achieve their goal. They are surprised when an experimenter make something happen, which seems to violate causality. They are almost unique human abilities, even chimps fail to learn that a stick can be used to draw things for them.

We acquire fundamental knowledge such as this by interacting with the world, observing and thinking about what we saw, by learning from experience and it continues to be one of our most valuable sources of knowledge throughout life, which is the basis of all science and technology.

Causality forms the way we understand the world, and how we structure the knowledge.

We start asking “why” questions, questions and need to find causal explanations continue to be strong throughout life. When we do not help observing, often invented, and we can even invent entirely false memories to support explanations (all made entirely unconscious).

Memory is nothing but mental video appearance that we tend to imagine, research has shown that anytime we recreate the past whenever we remember, we often remember it a little different. And our behavior is controlled not so much as it is said, by the conscious, rational brain. Our unconscious determines our behavior much more of than we would like to believe, approx 90% of our thinking, according to a recent study the unconscious strengthens the conscious and the it sometimes overlaps it.

Also create insights that research shows, are often highly accurate, providing expert skills to explain and we can not make most of us avoid things that we should not do.

American Psychologist Jonathan Haidt has a beautiful metaphor: the conscious mind sees it as a rider on an elephant, a strong volunteer animal who often decides not to undergo the rider's character trying to lead it.

Managers need to understand something so in terms of rider, as well as that of an elephant in order to create conditions, tools and processes that lead organizations to learn more of what they do, to share knowledge more widely and to be more creative.

Learning is a very diverse activity: learning a PIN number, a poem, recognition of one's American Civil War, understanding the electrodynamics equations, driving a car, design a building and managing a project are very different experiences. And since most of

us can learn to recognize a face without conscious effort, the memory of four random numbers requires some conscious attention, usually learning how to drive takes 30-40 hours of practice, and it takes 10 years to qualify as a neurosurgeon (in Britain).

Despite the variations of time learning the same memory processes are involved in all activities, they are also essential to use knowledge.

All learning is based ultimately on sensory inputs of sight, hearing, touch, smell, taste and awareness of your body position and movement. They are stored primarily in sensory memory, which is quite extensive, but concise - less than one second for memory and visual memory sounds only a few seconds.

Images and sounds are processed locally to some extent, and then an interpretation of the parties interested us is transmitted lucrative memory. Auditory system, for example, has clarified one flow through voice input sound from the phone, office background chatter, traffic and so on.

Qualities of "Interpretation" and "who we are careful" are important, remember only a small part of what we see and hear and memory of an event can be quite different from the others, and even wrong.

The visual system builds many interpretations of "instant", the eye stops on a single point briefly at a time before suddenly moving to the next, and eye movement studies show that it depends on what we pay attention of. People have seen a different picture to estimate the economic situation of people in the image, or to find those ages were different movements of the eyes, they subconsciously seek different types of evidence. It seems that even the most basic level - the data are still largely sensory, and before carrying different meanings - how we perceive the world depends on what makes sense for us or what we expect to see (and hear), and who pays attention, almost as much as on what is actually in front of us. No wonder that the first explorers returned with strange reports of what they saw, those who learn to manage crowded cities are so confused, and witnesses can give different accounts of the crimes. Effects like these are combined by lucrative memory characteristics which work closely to sensory memory.

Neuroscientists make a difference between episodic memory, procedural and declarative, respectively, memories of events, motor skills, such as driving a vehicle, and speaking, information such as numbers and mathematics. These are all important in life, but the most important is the declarative memory, and conscious use in learning.

Research suggests that the memory key is to recognize patterns in what we see, their interpretation in light of prior knowledge and connecting them to prior knowledge. A random number generator for a number of new figures, generates 777888999 rather than 593684728, but both numbers are meaningless, but the first model, groups composed of short, simple one, two or three, arranged in an order familiar - much easier to remember. Familiarity can be just as useful.

Many of us use numbers with personal significance, because they are easier to remember.

Management practice

There are many practical steps that leaders can make for a company to give its best possible chance of success.

Use discussions to select your beliefs and to develop your understanding.

It is impossible to change one's beliefs through intense effort of will, or change other people in management training. The brain can be reconnected only by serious thought, by testing new ideas - especially in this context, the idea that knowledge management is really vital in continuing corporate success -against established beliefs, personal experience and external evidence, and thought by some the personal implications of new ideas.

Brainstorming

Brainstorming is a suitable approach, adding a small group of colleagues with similar thinking to a series of informal discussions, ideally including someone (outside, if necessary) who is familiar with the concepts and practice of knowledge management. The need to articulate thoughts helps greatly to clarify and development.

Exposure to other people's thinking equals the value of different perspectives can contribute to valuable ideas may indicate

additional traps, and can help develop strong enough arguments to convince those of us enthusiasts and neutralize active opposition. Such debate helps to clarify a new understanding and connection to existing assumptions and beliefs at a level that is difficult to achieve by "Brainstorming" Solitary. Active use of knowledge is a unique mind development and anchoring.

The debates also serve another purpose, they provide the foundation for a clear vision, preparing communication wider and help build a coalition of guidance.

Compression time

A final advantage of the debates is that they compress time, scheduling a meeting is one of the best ways to avoid disruptions. Higher Management should continue to fall during the knowledge management activities until it becomes a habit for everyone.

As we have seen, commitment to principles is only the first step in a long way. Senior staff should take time and create the conditions for mental commitment and leadership, even if delegates design and implementation tools and techniques of knowledge to others, at the same time, confronting personal beliefs, developing a vision, communicate it, building alliances, creating an example, tracking progress, and occasional intervention all the time, are essential.

Less important work must be delegated, if necessary, to free up enough time. Any difficulty in identifying activities that are less important than creating a learning organization is an indication that those beliefs expressed and felt did not match.

Internal or auxiliary aid

Shareholders often combine personal involvement in daily management, marketing and ongoing earnings with responsibilities.

This can be particularly difficult for them to find the right time to lead knowledge management initiatives, and the result is often delay after delay. It is always tempting to believe that when the current crisis will pass and there will be time available for knowledge management, but this happens very rarely, another takes its place out of time.

The solution is to identify basic management responsibilities to be personally discharged, and to seek help from other staff resources.

Knowledge management poses unusual problems of personal, structural complexity related to the organization. In a true learning organization based on strategic elements of knowledge management, taking responsibility for learning activities is rapidly implemented and transferred throughout the company.

The function of a manager plays a key role, responsibilities and management communities of practice normally delegated by experts in the field, to be implemented at the corporate level, through the organization's interdependent departments, namely the transfer of knowledge gained successor more people spreading the tasks of those departments.

In an organization in which learning and knowledge transfer plays an important role in the basic strategy is necessary to create a post of "chief executive in knowledge" or "Chief Knowledge Officer" (CKO) to help managers, leaders and others by experience providing specialized, practical help, encourage, coordination and supervision of knowledge management activities.

However, in practical and pragmatic, but most organizations are likely to be able to recruit an experienced specialist and advanced enough to guide initial creation of the system. The same symbol is rarely sufficient to provide an existing member of staff responsibility to create a knowledge system or a full time or part time.

Outsourcing is an alternative help, which often turn to an outside consultant. Consultants can help with experience, analysis, deployment, focused attention and time are unlikely to be available in any other way. They may correlate with the Board and staff on all levels without the baggage of an insider or inhibitions complicate a company's formal status.

They can reduce misunderstandings, helping to clarify thinking, and can ensure that key issues are being overlooked, and is more likely to ask challenging questions to be addressed always. Independence and detachment consultants are better equipped than its internal staff to conduct inspections of knowledge and I know really how staff

perceive culture and leadership style of the company, how well the systems of knowledge, and what customers really think about the practical work.

In the early stages of the initiative of knowledge they can provide valuable assistance in developing and communicating a vision, developing a global strategy, creating tools and processes, the practical implementation guidance, monitor progress and training internal staff knowledge roles.

Later - as in other areas where high-level specialist expertise is desirable, but can not create a full-time post is not appropriate to continue access to external expertise through a Non-executive directors or a similar arrangement.

Leadership by example

The most persuasive evidence that can give senior management confidence in the importance of knowledge is visible through the exchange of practice knowledge transfer and perpetual learning. For this reason, top management must first complete personal pages, contributing to the knowledge, participating in retrospective and forward-looking analysis and make presentations of the knowledge base.

Practical engagement as contributor and the user has a benefit, namely, that no personal experience on knowledge systems and activities, managers are equipped to guide future development and ensure that they are used in the best advantage. Senior management may also provide a lead in that show that knowledge systems routinely used to support their own work, which is considered as the standard for an organization's staff.

Knowledge bases retrospectively, looking, and guidance in particular can serve business management and professional ends. Retrospective analysis can help in learning lessons from a major activity such as an offer or opening a new office. Mentoring is a form ideal for managers who have retired or changed their role in order to transmit knowledge to success. The knowledge base is as important to good management and marketing knowledge as well as in technical knowledge.

Continuous motivation and obstacle elimination

The success of knowledge management depends largely on the people involved in the knowledge base discretionary in the sense that they do things they do not have to do.

Knowledge transfer and learning can occur only to a limited extent, the manager's duty is to create an environment leading only by ensuring that the enabled system is working and by motivating the personnel.

Performance over time and habit of using knowledge management tools make these mainframe systems to be so valuable in nature that users would focus on them.

Motivation is crucial, because people will not act without it. And belief in the strategic value of knowledge itself is sufficient to justify only a small crowd of people auditioning, most staff have more concerns and they need something more tangible.

One of the key challenges in creating a learning organization is that a number of activities to immediate knowledge in their specific compensators, which is harder to quantify.

In the context of a knowledge platform, complete personal pages, it is usual for beginners because its contributors are too "novice" in terms of system use, familiarity takes time, and in this phase the system provides only basic information. When getting to know the situations, employees continue to accumulate, to learn and use knowledge platform tools, gradually becoming more useful, and the slope reaches a point where it can reward new users with useful contacts. Eventually, they will provide the most lazy motivation they need to add knowledge. One of the main tasks for a champion in knowledge, therefore, is to create a sufficient incentive to keep their commitment to knowledge activities until the items go tilt.

Conclusions

Personal motivation can be provided in many ways, based on advertising to a minimum and gentle coercion. Simple practical measures such as highlighting interesting analysis of project company newsletter encouraging contributions to the knowledge base by nominating a topic of the

week, and insisting on procedural disciplines and complete database and analysis project can all be useful.

Motivation can be easily denied by no motivation factors and obstacles, so it is important to identify and eliminate them. Managers can begin the process by self-analysis, wondering why things are not that supposed to do.

The study and subsequent analysis of a project is useful, but rare, the most often mentioned obstacle is time pressure, which is ironic, given that saving time by reducing touches and "reinventing the wheel" is one of the main goals of knowledge activities.

Pressure occurs when specific requirements are in conflict with knowledge management, such as targets, subject to time pressure, the solution is legalization and creating space for the activities of knowledge by offering a personal budget time, but you can find other ways can be equivalent found to eliminate most of the no motivation factors and obstacles.

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Corporate Social Responsibility – New Challenges for Strategy Romanian Companies

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Abstract

At a time when the world is interested in phenomena such as, ecology, environment, food safety, ozone layer depletion, famine and their effects on social responsibility initiatives are becoming increasingly well received. Even if you can not give a real dimension of the concept of social responsibility-taking as any guarantee of success, an organization must be aware that there is only a tool for maximizing the value of image design, but an essential element of long-term success in direct connection with social and environmental performance of the community. The success of corporate social responsibility strategy is to find a balance between awareness problems of society, and capacity needs of various target groups material, financial and managerial organizations.

Key words: CSR, strategy, tools, programs

J.E.L. classification: M 14

1. Introduction

The incorporation of CSR principles into every operational level of an organization as well as its daily compliance has become a global tendency. Nevertheless, the Romanian business environment is still familiarizing with this business ethics. In this context, CSR is not perceived in the business community as a core value which is part of corporate development strategies. However, many CSR elements are acknowledged and applied, frequently with a "specific national character".

Obviously, there should be also mentioned the extreme case in which many companies with foreign capital approach the concept of

social responsibility in a more complex manner. These organizations define and integrate CSR into corporate strategies and their shareholders approve expenditures for social responsibility activities in the annual budget of these companies. In their activity these companies pursue three complementary objectives:

1. profit increase;
2. diminishing the negative impact on the environment;
3. investing in local community.

Most Romanian managers are concerned primarily with the company's survival or with their own interests and the social responsibility issues are among their least important concerns, if there are any at all. This attitude is explained by a number of micro and macro level factors, but mainly by the uncertainty under which their companies run their business. Regarding the local organizations which do care about society, *most of them understand social responsibility as donating money for charity and sponsoring public events.*

As expected, multinational companies were those which initiated social responsibility events, moving gradually from corporate philanthropy to community development projects and educational or training activities. Thus, several major companies distinguished even since the early 90's such as Coca-Cola, Vodafone, Orange, Henkel due to extensive projects designed to help victims of natural disasters, to protect the environment and support training programs for students and other educational projects.

After 2000, many other companies, both large and SMEs, started to be involved in actions of social responsibility, especially restructuring their technologies for improving environment, adopting social measures for employees, developing good relations with

local authorities. The research about the state of corporate social responsibility in the Carpathian region (counties in Slovakia, Poland, Hungary and Bihor, Botosani, Harghita and Maramures counties in Romania) conducted by Carpathian Foundation in 2007 concluded about the situation in Romania: "At a national level, CSR practice follows a clear positive trend. Companies and NGOs are the main actors. Romanian accession to EU and Romanian Fiscal Code influence, both with incentives and challenges, the corporate attitude towards the CSR domain. The development of CSR practices is influenced by factors from outside of the community (national or international models), as well as by local factors, which can encourage or inhibit the process. Elements affecting the development of CSR practices in Romania mentioned include: peoples' perception of their capacity to change the community, companies' need for qualified and motivated employees, the perception of local leaders in the community by businesses, etc. Romania country report underlines the fact that, in the regions of the country studied, companies preferred getting involved in shorter-term projects (event based or 30–60 days), where as the Poland and Slovakia country reports point out a different approach by identifying CSR projects with longer time frames. The reports from Romania, Slovakia and Poland show that a common characteristic of CSR in the Carpathian region is the difficulty in differentiating whether the decisions are based on the beliefs and values of one individual (usually a manager or owner) or form a part of an overall corporate strategy [5]. "

But for most organizations, social responsibility of is something which is considered occasionally, which has nothing to do with their main business and this is due to the fact that frequently it means corporate philanthropy. Most often organizations do not report on their social responsibility simply because they ignore the public in general.

The reasons for which organizations assume social responsibility are the following:

- economic interests namely: efficiency increase and profit increase;

- attracting and maintaining the qualified workforce;
- company's reputation and tradition;
- business ethics and moral objectives.

According to the new orientations, due to the increased competitiveness of markets CSR has become an important element in product differentiation and reputation increase.

An analysis of the main aspects of corporate social responsibility nowadays reveals that it tends to become the key to the development of a country economically, socially, environmentally and politically speaking.

However beyond this noble objective, the following issues have been identified for Romania: social responsibility programs find no echo in the specialized press, their degree of popularization to the general public is not very high, there is a lack of published reports of social responsibility and the tendency to make them mandatory in the coming years, similar to organizations in Britain and Japan, reduced visibility of corporate social responsibility projects, lack of information campaigns of business environment representatives regarding the community problems, lack of communication between the business environment and community to solve the existing problems, lack of information centres to ensure the link between business and community, lack of business environment awareness and of the link between trust and consumer loyalty, the existence of an imbalance between the support of society's various causes; lack of legislation to encourage companies to initiate projects of social responsibility, imbalance between proactive and reactive management in solving image and trust issues to the public's benefit.

Community members' trust and respect may influence the entire activity of a company and therefore it should contribute actively to the society development. The achieved benefits are represented primarily by recognition, reputation and appreciation. To summarize, we can say that the effects of company involvement in the community are the following:

- improving community relations (customers, suppliers, authorities);
- influencing the target audience, opinion leaders, press etc;

- placing the company on a higher level of the society;
- better image /better visibility for the company;
- consumer loyalty to the company and its products;
- employees motivation;
- significant contribution to achieving business excellence;

Starting from this framework of benefits provided by the integration of CSR principles into the organization policy, D. Wood identifies three principles that determine the social responsibility[6]:

- companies are also "social institutions" and this status forces them to use responsibly their power;
- companies are responsible, first of all for the impact they have on the environment in which they run their business;
- managers are "moral agents", representing role models on the community level, thus determining them to exercise responsible decision-making powers.

The economic environment complexity and organizational complexity determine new requirements in organizations management and communication level to ensure the strengths and advantages against the competitive forces. Within this context several areas of interest can be marked, namely sustaining areas where there is poverty, areas where economic activities affect the environment. CSR can be also seen as an expression of the business environment dynamics, of ethical spirit and of care for resources in accordance with the sustainable development principles.

Although we speak about an acute necessity, CSR can only thrive when the proper legal conditions are created and certain policies that consolidate public trust are implemented. However this aspect is still critical for Romania. Thus private sector business is formally state independent but in reality many sectors are over-regulated whereas others, on the contrary are facing the lack of proper regulation. These drawbacks are also explained by the lack of communication between government, economic entities and civil society. This policy uncertainty is also triggered by the selective application of the regulations for political and economic purposes. Business

environment representatives consider that the legal system does not stimulate them to get involved in social activities.

According to the foreign analysts, corruption has still remained a problem which requires urgent solutions and it is probably the most worrying aspect of the social irresponsibility of companies that run their business in Romania. By monitoring the current Romanian business environment several defining elements have been identified regarding the meaning of CSR. Thus, the positive aspects refer to the following:

- yearly increase of CSR initiatives among Romanian companies (for instance multinational companies Vodafone, Orange followed by Petrom, BCR, Automobile-Dacia, Carpatcement); According to the statistics studies (<http://www.responsabilitatesociale.ro/dialog-uri/bilantul-responsabilitatii-sociale.html>) the most responsible companies from the Romanian business environment are the following:

- Vodafone
- Petrom
- Tuborg
- Orange
- Unicredit Tiriac Bank

- organizing conferences, symposiums on CSR in Romania;

- increase in number of companies that publish information on CSR policy, projects they carry out, achieved results as part of their annual reports (e.g. Siveco, Orange, Vodafone);

- expanding the public-private partnerships.

Nevertheless we should also mention the list of less comfortable aspects of what is intended to be a distinct and full-fledged field:

- inconsistency of programs, initiatives, strategic guidelines in Romanian CSR, many companies offering the financial crisis as a real excuse;

- reduced number of real CSR programs, many of them being simple sponsorship or donation events;

- lack of research, of some complex analysis which would be used to avoid intuitive decision-making in CSR;

- advertising tendency of some CSR reports;

- most SMEs managers mistake CSR with donations and sponsorships which indicates their lack of information, education to be responsible;
- insufficient awareness of the need for CSR activities and their benefits;
- lack of a common language and perception on what CSR is;
- CSR programmes are not always designed to meet a real social requirement;
- Involvement in CSR activities not as a strategic approach but only for a short-term image benefit;
- High degree of the general public's distrust concerning the business environment and especially the political one;
- Tendency in recession period to reduce the budget intended for CSR activities;
- Social responsibility programmes are not a priority for the Romanian business environment;
- The challenges described by the company range from the difficulty of selecting the most relevant causes and their prioritizing to the difficulty of finding a common language with other community actors (organizations, public institutions) and to the public opinion concerning companies that promote their community programs;
- Reduced number employee volunteer programmes of Romanian companies.

Despite the fact that the scales are tipped in the negative position, there are however real opportunities to increase the degree of CSR favourable perception among the Romanian companies. Basically we can identify certain opportunities that provide the business environment the chance to support corporate social responsibility through real policies.

Thus, the adhesion to standards and local and international reporting guidelines provides the possibility to ensure common framework which would further allow the setting of some CSR performance indicators. The transparency level increase, without turning CSR into PR or into a marketing tool, generates more credibility regarding all initiatives regardless of their extent. Among the opportunities concerning CSR expansion programs at the Romanian firms level we can mention the following:

- Companies sets a coherent CSR in accordance with the company's specific character;
- The organization management makes public the company's CSR obligations;
- Developing certain criteria and benchmarks against which the CSR activities can be assessed;
- Reporting social performance and making these reports public;
- Stakeholders consultations;
- Involvement in social and environmental programmes in accordance with company's interests;
- More efficient risk and crisis management;
- Attracting and motivating valuable employees;
- Stakeholders involvement in reporting process;
- Unfortunately great variety of issues that require company's involvement (environment, corruption, education, workplace conditions, resources, etc.);
- Publishing sustainability reports which approach all relevant issues in CSR field to improve organisations transparency;
- Implementing a more efficient environmental management system in organizations with high level of pollution;
- Company's development of its own internal and/or external audit system;
- Adopting G3 standards – triple reporting to assess companies' performance both in financial and economic terms and according to their environmental and social policies – in accordance with the sustainability principles.

However it may be noticed that although we are talking about a complex business environment, CSR has still remained a marginal issue for most organizations, especially the SME sector. At the same time it should be mentioned that CSR is a matter of internal conviction and business ethics and not of coercion.

Nevertheless, the most significant effort should be made by companies which can identify the most relevant and influential social actors with whom a dialogue may be further developed. For an organization, the result of this dialogue will provide a complex image on public expectations, a comprehensive understanding of how social reports should be structured as well as the set

of indicators that should be used to show the company's progress in areas where the public is most interested. Moreover these indicators must be compatible with the international standards of public information.

These indicators may be used as tools and benchmarks for assessing the social impact of activities that are included in the social responsibility sphere. The impact should be properly assessed and the public should be informed about this impact. Thus, the public should be given opportunity to express their opinion and this opinion should be taken into account by the company. Such assessments will help the company improve its CSR policies.

Moreover, each company should understand that social responsibility also includes basic human rights, moral integrity, concern for the environment and promoting responsibility throughout its entire network. Investing in community sustainable development can also prove to be economically lucrative since it strengthens the company's image in society and provides long-term increase opportunities. In this context, companies should understand that CSR can turn into even a strategic advantage which in its turn will further strengthen the company's reputation.

In order to broaden the framework and to enhance the acceptance of CSR concept in Romanian business environment, the Ministry of Labour, Family and Equal Opportunities will encourage *good practices* on CSR by:

- Companies' adherence to internationally accepted standards, such as OECD guidelines for multinational companies;
- Active engagement to identify and approach hindrances in compliance with the national legal requirements;
- Sustainable development and dissemination of good practices, including in the creation of aptitudes and abilities and approaching hindrances in their implementation;
- Partnership and active engagement between the public sector, civil society organizations and their representatives, local and national authorities;
- Transparency and effective information flow.

Within the new economic context and the social commitment of the Ministry of Labour, Family and Equal Opportunities to integrate CSR into public policy development is vital for the improvement of the decision-making process at all levels in order to improve competitiveness in a sustainable way.

The study "Developing the concept of Corporate Social Responsibility in Romania, within a European context " concludes that [7]:

- In Romania, the definition of CSR as well as the practices in the field generate still a variety of interpretations and different understandings by companies.
- So far, in Romania many of the multinationals, used to run such programs in most of the countries where they operate have applied the CSRs principles as in their country of origin.
- Public-private partnership is not a mechanism that can support development of CSR programs.
- CSR is still perceived by companies in Romania as charitable giving, while companies show little awareness of understanding of the broad concept and its multiple facets and roles.
- 2/3 of companies surveyed believed that integrating CSR in company's management has a positive impact and make it more profitable, but only 17% believe that this has a large impact, while 34% believe that it has a small influence.

Many companies tend, at least until recently, "to choose spectacular, easily communicable and well presentable roles rather than charity and CSR action that would logically follow from their core business activities. Particularly for subsidiaries of multinationals, CSR was typically rooted in the PR or communication divisions, placed under great pressure from the executive management to deliver spectacular and communicable acts, targeting mostly the *consumers of all the possible stakeholders*, "*a fast returning investment*" [7]

Things begin to move step by step in Romania, too. Some specialists consider that CSR in this moment represents a global phenomenon, not only a trend in rich countries. In some years our people will start to take decision to buy not only because of

quality and price, but also based on the social involvement of the provider companies. There is not enough information at this moment about the real thinking of Romanians about social responsibilities of companies.

Some positive aspects regarding the development of CSR among SMEs[8]:

- Importance given by governmental bodies and agencies in order to support CSR for SMEs:

- change of laws, new legal provisions in this respect, creating special departments for this topic.

- Financing programmes supported by Government or civil society in order to implement CSR for SMEs.

- EU funded programmes for awareness and support the implementation of CSR by the SME sector.

- More and more articles in newspapers, special dedicated web-sites, more and more events, seminars, conferences, in order to make known the concept of CSR and real advantages for companies.

- All involved parts: companies, clients, suppliers, local authorities, mass media, began to understand the importance of CSR and step by step to choose companies and the products and services of companies which introduced CSR strategies in their activities.

2. Conclusions

Thus, we can have a real process, by means of which we create a responsible society in which the companies try to cultivate a sense of responsibility and a better capacity to understand the economic, social and environment problems the society is confronted with, and the consumers are equally exigent and responsible.

The organizations' actions success is insured by the permanent dialogue with the consumer in order to satisfy him by means of the goods and services offered. In front of a polyvalent consumer, the companies' marketing specialists are challenged to find new references to understand the mechanisms that guide the consumer's behavior and profile emphasis. Referring to the respect that must be given to the consumer, it starts with some real knowledge and understanding of the elements that are the basis of his decisions, respectively the creation of his behavior. The today consumer is permanently seeking for a meaning that is not always compatible with the rationality or utility notion.

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Perspectives of Religious Tourism in the World Crisis Context

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Abstract

Tourism has an important place within the world economy and represents a basic branch in many countries with touristic vocation. In the context of the current world crisis, religious tourism is a complex phenomenon in a continuous transformation and diversification, though keeping the basis element which established it: religion. The contribution of religious tourism to the world economy development is accomplished directly by the registered incomes from the specific activities, through the regional development functions of the destinations, through the function of education and development of the culture and development horizon in general. Unlike other economic fields, it has been statistically proven that in the current crisis situation, religious tourism registers a constant growth.

Key words: economic crisis, religious tourism, trends, specialization

J.E.L. classification: D21, L21, M14

The economic world crisis has affected all areas of social and economic life. In the '80^s of the XXth century people have become aware that resources are limited and that new forms of energy and of saving natural resources must be searched. Here it is that after 30 years humankind is facing a new crisis this time as a result of the consumption growth and of the investments destined especially to it. The preservation and rationalization of consumptions of any kind require first of all the education in the spirit of economy and of the higher valorization of all resources.

Tourism has an important place in the world economy and it represents a basic branch in numerous countries with touristic vocation. Natural touristic and anthropic resources are as well subject to economic laws and are the object of protection and preservation measurements in order to be valorized as rationally as possible through touristic programs by as many generations as possible.

Generally, to tourism are associated several functions through which we mention: remaking of work capacity, relaxation, entertainment, maintaining the health state, education, development of knowledge horizon, knowing other peoples lifestyle, cultural exchange. Thus, in the current situation of the crisis we consider that the education function should be developed under several aspects: education in the spirit of traditional cultures, of authentic cultural values, the return to moral and spiritual old ancient values, knowing of universal values and of life principals in communion with nature.

Religious tourism through its forms especially pilgrimage is one of the oldest tourism forms, knowing small changes in time. Old pilgrimage destinations know ever since ancient times are just as wanted today, tourists don't always have spiritual motivations, but rather of curiosity.

Religious tourism is a complex phenomenon in continuous transformation and diversification, keeping its basic element which established it: religion. Although there are many religions, cults, religious sects, when we are talking about pilgrimage, tourists pertaining to different religions, practitioners or not, atheists or adepts of syncretism, they all travel to traditional destinations motivated by the desire to follow

the steps of those who represented pillars, the ground stone on which a certain church has been built, wanting to know the cultural relics of the past which marked history and which represent real treasures of humanity.

Until the early and medium Middle Ages and also all through the Age of Renaissance, religious tourism meant mostly religious pilgrimage developed on traditional destinations in accordance to great religions. Thus, Christians were headed to Rome and Jerusalem, Muslims were travelling to Mecca and Medina in Saudi Arabia, Buddhists were headed to Lhasa and sanctuaries in India and Indochina, while Japanese were going to Mount Fuji [4]. The reasons why these processions were made, have been determined by worshipping different gods in the specific days or by searching answers by the pilgrims to their different problems. The implications were mainly spiritual and emotional, certain rituals were followed, there was a big fear from God's anger which could strike at any moment, if the sacrifice were to be brought too late.

Religious tourism is that type of tourism which has the purpose to visit constructions and holy places with spiritual implications, with a hint to the aspects situated on the boundaries between magic and religion [5]. Since pilgrimage is closely connected to religion, it is necessary to show that through history many forms of manifestation of believe have appeared, although with a high degree of extension in time and in the human kind's history, when given a closer look, we find that they simultaneously manifest in different cultural spaces. Thus we are contemporary to communities where rudimentary religions manifest, primary to society, a big part of the globe population belongs to Judaism, Christianity or Islam on one side, while others practice Buddhism, Hinduism, Taoism, Shintoism etc. In the XIXth century religious sects have appeared as Jehovah's witnesses or Mormons [2].

Analysis of religious tourism

In time, the concept of religious tourism has acquired more approaches as a result of diversifying the motivations determining practicing this form of tourism and the selected destinations.

The manifestation forms of religious tourism are just as various as the reasons determining the trip. It is travelled from pure curiosity, or with the purpose of knowledge under a cultural perspective. Many pilgrims worship divinity and its representations, others want to see and touch sacred in order to heal, to communicate directly with divinity or to experience the manifestation of miracle. Many pilgrims walk kilometers to free from the daily problems burden and to gain strength and reinforce the belief. Some pilgrims are pushed by needs and inabilities, others come to the holy places for the simple reason of making peace with oneself and to bring thanks [5]. For certain people the visited sites have a significance for others they don't have any religious significance. That is why it is no wonder that in such religious places, contrary to the strict clothing rules one can meet people wearing shorts and deep cleavage shirts [7]. Depending on the religious behavior, individuals can be divided into the following categories: negativist atheist, indifferent atheist, conformist, common Christian, traditionalist, real believer, practitioner believer [3], each adopting a certain attitude in respect to the pilgrimage place.

Ever since 2003 the European Association for Education in Tourism and Entertainment (ATLAS 2003) by the reunion of experts from Fatima in Portugal, have taken into debated the need to accomplish the research of motivations and specific needs for visitors of religious sited and the analysis how the administrators of these sites accomplish such requests. On this occasion also a group of experts wanted to globally recognize the significance of term "religious space" to this being associated: a closed space, an altar, a sanctuary, a cathedral etc.[5].

The specialists' concerns in the field of religious tourism were headed also on the relationship between the terms tourist and pilgrim being extended the pilgrim statute to the tourists travelling into organized groups by tourism agencies, which determined from a statistic point of view a growth in the number of tourists on a world scale being registered as practicing religious tourism specifically pilgrimage.

Unlike last centuries, today those who practice religious tourism have a higher education degree allowing them a higher appreciation of the cultural, historical and religious value of religious spaces.

As a result of pilgrimage tourism development the phenomenon has awakened the interest of researchers who started studying the phenomenon and explain its causes which generated a higher growth rhythm in relation to the world touristic flows in general.

The globalization of the touristic phenomenon has determined an increase in the travelers' mobility degree, the introduction in the world circuit of some religious destinations representatives to the universal culture and civilization. For example in Western Europe pilgrimage is an event frequently taking place, being registered approximately 6.150 pilgrimage centers, by them 4.075 are dedicated to Virgin Mary [1].

Among the main religious tourism destinations we mention: the pilgrimage to El Camino Frances to Santiago de Compostela with a lengths of 709 km, where in 2009 a number of 145.000 pilgrims obtaining the diploma have been registered [8]; secret sites of Islam, Judaism and Christianity from the Anatolia Peninsula –Turkey; Vrindavan in Northern Italy, a location visited every year by more than 3,5 million people; Fatima-Portugal, the Holy Fortress from Mecca-Saudi Arabia visited by 2,1 million people in December 2010, the pilgrimage to the Gange river-India, where it an estimated over 70 million Hindu come for the spiritual purification in the months of January and February; the religious sites in Western Ireland; the Western Wall, also, known as the Wall of Tears, in Jerusalem where 6 million people were registered last year; Medjugorje-Bosnia, which has over 15000 accommodation places [11];

Katherine Monastery, Mount Sinai-Egypt; the Vatican-Italy, visited annually by more than 4 million pilgrims and tourists [15]; the great Efes theater from Turkey; Jerusalem-Israel, Olives Mountain, Ghetsimani Garden, Via Dolorosa and the Grave; Apocalypse Cave, Patmos Island-Greece; Massabielle grotto, Lourde, France, where more than 6 million people come annually; the Church of All Saints Castle Wittenberg-Germany;

Basilica of the Guadalupe Virgin, Ciudad de Mexico etc. [14].

Tourism has lead to the creation of new behavior habits, to a new life style. This has generated a cultural move encouraging travelers to see and to understand social, cultural and environment differences. Homo turisticus has become a symbol of a society which opened and has evolved. Today, old pilgrimage sites have started again to attract masses of pilgrims, these not being any different from the tourists arrived in vacation. This mass movement means a search for redemption or a comeback to the roots in the past as a form of resistance in relation to the rationality of modern times. Without a doubt, tourism industry and mass-media offer pilgrimage as consumerism. Taking into account that tourists share the same attitudes as pilgrims, in other word the search for authenticity, on different depth and implications levels, one might say that pilgrims are partially tourists and that tourists are partially pilgrims.

Rediscovering pilgrimage, also, shows that religious values, doctrines and institutions have lost nothing from their statute and influence on the day to day behavior.

The modern individual is looking for transcendental values to surpass fragments, discontinuities of the contemporary society representing "the pilgrim tourist" from modern times [16].

As a result of an increase in the number of demands for this form of tourism, tourism agencies have developed their specific services offer [6]. The pilgrimage tourism development has awakened the researchers' interest, who started studying the phenomenon and to explain the causes generating a bigger growth rhythm in relation to the world touristic flows in general. On a global scale tourism has been affected by the crisis stronger in 2008 and 2009 then, a slight increase in the number of tourists has been registered in 2010.

In that year on an international scale the tourists arrivals have increased in relation to the previous year by 6,6%, arriving to 940 million, while the incomes from the world tourism has increased by 4,7% arriving to 919 000 million dollars, that is 693 000 million Euros. For the first semester of 2011 the World Organization of Tourism estimates

an increase of approximately 4% in relation to 2010, a growth which will be maintained, it seems for the entire year [12].

In November 2006 the World Religious Travel Association (WRTA) was born, an association who has aimed to promote religious destinations from all over the world. It was then considered that there were approximately 300 million tourists practicing the religious tourism. Representatives of tour-operators, and of cruising companies, organizers of religious events from 30 countries were reunited to analyze the phenomenon and to elaborate a development strategy of this form of tourism. Unfortunately at the WRTA meeting in 2010, which took place in Turkey, it has been concluded that the functioning of this society is an expensive action, thus ending the first association of this profile in the world [17].

Numerous tourism agencies from all over the world make and sell cultural-religious products and pilgrimages. The request for these types of tourism can be filed both by individual tourists who, choose to travel on their own or in organized groups, and by the representatives of different religious cults or sects for the groups they represent. Regarding the chosen destinations it is found that under the aspect of providing accommodation spaces for big flows of tourists such services providers have adapted as well their offer. Pilgrims can choose to be lodged by monasteries, guest houses or in hotel structures [13].

For the first time in the world, in India is born the idea of making trademark hotels for pilgrimage tourism. This is due to the increased requests number in pilgrimage place for quality hotel services. An example is Starwood by setting up a 180 rooms hotel under Sheraton trademark. This unexploited potential of the market has awakened the interest of other trademark hotels as well such as: Four Points, Hotel Aloft, which will make via local developers a national system of such hotels. These will be opened I Tirupati, ShirdiDevi and Vaishno, Nasik, Ajmer and Mathura. The interest for creating such hotels is determined by the large number of pilgrims arriving, for example only in Tirupati some 23 million pilgrims are registered every year. Leela Ventures hotel is also flirting with the idea of making three

stars hotels in Nalanda, Haridwar, Rishikesh.

All these preoccupations have as a purpose to meeting the specific demand on Indian tourists who are numerous and in continuous growth, not being taken into account the tourists flows from other countries. In 2010 a 740 million religious travels has been estimated, the Ministry of Tourism intends to increase by 2013 the capacity of internal accommodation by more than 100.000 rooms [18].

Pilgrimage in Romania

When things go bad from an economic point of view, the Romanian guides his thoughts to the divinity. Even in the surveys made up during the last years, the church is rated with the higher level of trust among the state institutions. The most important pilgrimage places in Romania are Mănăstirea Nicula, which received from Papa Pius XIth, in 1928, the statute of Marian sanctuary; the pilgrimage to the relics of Saint Parascheva from the Metropolitan Church in Iasi; and the pilgrimage to the relics of Saint Dimitrie Basarabov from the Romania Patriarchy in Bucharest.

Pilgrimage tourism in the above centers and in many other sacred places in Romania produces positive economic effects on the entire destination zone by a higher valorization of accommodation spaces, by the incomes registered from rent and specific trade activities. From these events taking place in occasion of the pilgrimage to Saint Parascheva, for example, in 2009 Iasi City hall also had to gain, by cashing important amounts coming from renting the public space. Thus, the more than 400 traders paid to the local budget for 6 days some 1,5 million lei [9].

Although there are no statistic data regarding the dimensions of pilgrimage tourism in Romania, it is estimated that year by year the number of pilgrims in the above centers has grown. They travel individually or in organized groups through programs made by initiators from within the church especially. Services of touristic packages are requested for travels outside the borders for pilgrimages organized by tourism agencies and by the Romanian Patriarchy. The only tourism segment not affected by the crisis is

the religious one, the number of Romanian making internal pilgrimage tourism being constant in the last years.

Moreover, external travels with a religious theme are in continuous growth, in accordance to the tourism agencies representatives and to the Patriarchate. For this year approximately 40 000 Romanian are estimated to have left or to leave in such a journey, with 10% more than in 2010. The average price for an external pilgrimage is 600 Euros per person, which means an estimated revenue of some 24 million Euros per year from which 25% goes to tourism agencies and 75% to the Patriarchate as program organizers [19].

Conclusions

Religious tourism is a complex tourism form combining today elements of culture, tradition, civilization, history and religion in a harmonious way, giving the products a higher degree of attractiveness. The magic blend between sacred and secular, urge and accomplishment of desires, determines that pilgrimage keeps awaking the interest of numerous dwellers of the planet. The manifested requests are valorized by the tourism organizers, but new needs are generated by products and original destinations. It seems that the crisis not only succeeded in negatively influencing the tourists' flows but also generated new preoccupations in the field of increasing the accommodation capacity. By the benefic implications upon the individual and the economy, religious tourism is one of the activities which deserve an increasing attention to its continuous development on a national scale by showing to advantage the wonderful treasure that Romania has.

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The Migration of the Romanian Citizens „Defies” the Economic Crisis

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Abstract

Migration affects the active population of a country, entrepreneurs, companies and political class equally; there are both negative and positive effects for both origin and host country.

The factors that influence the migrationist phenomenon are social, psychological, cultural factors, having a significant impact on the „economic life” of a country.

The effects of the economic crisis did not discourage too much the migration of Romanian citizens, though that lately the phenomenon had a much lower intensity than in 2008, even if the latest forecasts and statistics considered that this phenomenon would be completely stopped under the current circumstances.

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Key words: migration, globalization, economic crisis, remittances.

J.E.L. classification: F22, F24

1. Introduction

Spreading of the global economic crisis was felt especially on the labor market, affecting also the migration phenomenon. Another phenomenon emphasized by the economic crisis is the drop of the income (salaries) in Romania, as well as the altering of income distribution (of the remitters) of the immigrant flows from the host country to the origin country.

Until 2008, the central and South Eastern European countries had a positive growth mostly because the remitters (incomes obtained from the transfers between countries); in our country, these led to a significant growth of investments and private consumption; unfortunately, we cannot say the same thing about 2011.

The Romanian economic situation, poverty, uncertainty regarding the future, the current global context and the new monetary economic crisis which hit severely the EU crisis, have had a direct and definite impact on migration.

2. The significance of the remitters for the origin country during economic crisis

Beside the known negative effects of migration for the origin country, there are also positive effects for the economy: growth of income flows (remitters), income from the host country to the immigrant's origin country, in our case, Romania.

Gabriela Prelipcean in „Migration and the thrill of the remitters. Implications of the current economic crisis”, said that the motivational factors of the remitters can be endogenous (referring strictly to their own situation and the context the immigrant is living, the altruist relation with the family and the close ones) as well as endogenous (referring to the external environment, psychological, cultural factors, affecting especially the „economic life” of a country) that is the significant differences between the GDP of the origin country and the GDP of the host country, security of the monetary transfer, decrease of some bank fees, can lead to nothing but the increase of the migration phenomenon. [1]

The amounts of money (remitters) sent in the country by immigrants improve significantly the living standard of the recipients, these money going mostly to family private consumption, to investments in human capital (health, education) as well as to small investments (purchasing housing, land, cars) or to paying certain loans to banks in the country.

The positive effects of the remitters are felt at macroeconomics level also, leading to an increase of personal consumption and investments, that is the increase of income for a certain part of the population.

According to the data issued by World Bank, the remitters entered a decreasing flow starting with the second half of 2008, after a significant grow in 2007-2008 [2].

For the destination preferred by Romanians (Italy and Spain) we notice a 9% decrease, and also for Spain, between June and September 2009, compared to the same period of the previous year.

For Italy, the decrease is 7.4% in the first three months of 2009 compared to the same period of 2008. The amounts of money sent into the country by the Romanian citizens working abroad during the first trimester of 2011 was 758 mil euro, being the lowest value recorded in the last six years.

3. The impact of the crisis on the migration phenomenon

The economic crisis hit not only Romania, but also the most developed countries in the European Union: Germany, UK, France, Italy and even Spain, Portugal, Greece and Ireland, countries that not long before the big global changes, were, for many Romanian immigrants, a source of jobs that the local population was not willing to perform.

The latest EC statistics for the second quarter of 2011 showed that at least 2,1 mil Romanians work in EU Member States. The destinations preferred by Romanians remain, as before: Italy, Spain, Germany, UK and France.

In 2010, statistics show that there were approx. 2.5 mil Romanians and Bulgarians working in 15 EU Member States. According to statistics, there were 890.000 Romanians working in Italy, 825.000 in Spain and 110.000 in Germany, the rest of 275.000

Romanians being registered in Austria, Denmark, Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Portugal, Sweden and UK.

According to the data for the labor market at EU level, the number of Romanians living in EU-15 grew in 2009 at a much slower pace than before the crisis, becoming negative in the first trimester of 2010 (a negative net migration), and growing again in the next two trimesters.

Leaving aside the pros and cons of migration, the Romanians were, unfortunately, constrained to leave for work abroad, after losing their jobs, this adding to the significant decrease of budgetary salaries. The pros of the Romanian migrant are social, psychological are rational; they do nothing but support and emphasize the already strong motivation of the Romanian citizens working abroad.

The statistics and studies conducted on Romanian migrants after the beginning of the crisis show a significant down trend of the migration phenomenon.

Other factors that influence the migration behavior are: the cultural model (both family and community), education: foreign languages the immigrant knows, the profession the immigrant trained for in the home country, abilities acquired throughout the life, social and especially financial status, the way that population of various countries understand poverty (in our case, the Romanians), the economic crisis or even the "poor man status" – which for many gives an exclusion feeling, at least in our country in the last 20 years after the communism[3]

In the middle of a new economic crisis or in strong recession, the Romanian citizen is still willing to leave for work abroad, willing to leave home the „Romanian dream” and to embrace the „European dream”.

The Romanian citizen is willing to „reluctantly” leave home the family, the relatives, the children, and at the same time, a much uglier side: poverty, unemployment, corruption, bureaucracy and his own incapacity; these things do nothing but seal the fate of the Romanian emigrant.

Romanian citizen is trained well enough to enter a new host country, capable of offering him and his family a decent living and a better salary.

Romania remains, unfortunately, for most of the immigrants working abroad, a „ poor, corrupted, without perspectives country”, now more than ever because the effects of the economic crisis and the austerity measures. The figures released by the Italian National Statistics Institute for 2011 show that there were at least 997.000 Romanians living there, most of the women, compared to 2009, when this figure was approx 887.763 Romanians. The decisions of the migration are mainly dictated by the economic context, by the income (salaries, social and political protection) as well as the demand for foreign work force for various domains: construction, transportation, agriculture, household services – children or adult caretaking.

Unfortunately, for our citizens working abroad, the economic crisis had a certain impact on all the economic sectors. Italy and Spain, two of the main destinations, are no longer very attractive for our citizens in 2011, because of the economic crisis. The construction sector, which until 2009 attracted hundreds of thousands of Romanian men in Italy and Spain, proved to be one of the most affected by crisis.

The deep economic crisis in Spain made the construction sector, that for a long time was thought to be „the engine of the Spanish economy”, sink into a deep decline, leading to the collapse of the real estate sector and to high unemployment, including Romanians. Unemployment in Spain has reached alarming proportions: besides the Spanish unemployed population, there are also unemployed Romanian citizens.

For Spain, the migrant women, compared to the men, were much less affected by unemployment, mainly because the fact that they have jobs in sectors very little or not at all affected by the crisis.

We must note the campaign started in France against roma Romanians, but also the events that happened in Italy against Romanian immigrants, especially the ones at the end of 2010 (the Romanian woman killed in Rome, in a metro stations, by a xenophobe young Italian) [4]

Another strong argument in favor of migration is the work force deficit in Romania, generated by massive migration from various domains: construction, health, education, textiles, shoes manufacturing and commerce.

Even if we consider the above mentioned arguments, we may emphasize the fact that Romanians are not discouraged and are not yet willing to leave for good Spain for Romania, preferring to live on unemployment allowance from the Spanish state, with is bigger than the one in Romania. In a world where the Spanish or Italian citizen becomes unemployed, the Romanian citizen accepts any kind of job, or changes domain, without big expectations from the foreign employer.

Another example would be Italy, where despite the latest pessimistic economic forecasts, the demand for jobs in home social care or for household services continues to grow, Romanians being preferred for them [5].

Statistics in Italy show that from 1.6 mil Romanian women working as caretakers, only 700.000 ale employed legally, with work contract, while 900.000 Romanian women work without contract.[6]

The Romanian women usually sign a contract with the families in Italy, mentioning a small amount of money, the Italians trying to avoid as much as possible taxes, and, at the end of the month, the Romanian women receive a significant amount of money.

According to a study by Friedrich Ebert Stiftung Romanian Foundation men, unlike the women chose more easily to leave for working abroad even if they don't have a work contract. More than half of the male Romanian emigrants leave abroad without being waited there by family and friends.

Economic crisis divided Europe in two: for some migrants coming from the South East European countries (relatively poor ones, such as Romania, Bulgaria or Moldavia) the crisis did not discourage them; on the other hand, citizens of countries like Spain, Italy, France, UK and Germany feel that their jobs are threatened, and some of them, unemployed at this time, accept those jobs that they wouldn't have accepted before. For Romania, the deepening of the economic crisis does nothing else for the poor population of the country than intensify the migration phenomenon, thus defying the forecasts and opinions of the economy and politics specialists.

Romanians see their own migration as a way to save them and their families, helps them understand, by opening new horizons, how it is to really live in a more developed country, although long term migration leads, in time, to the destruction of the family.

Studies conducted by the Romanian National Statistics Institute prove that for 2011, more than 70% of the Romanian migrants chose to go to Italy and Spain. But there are also Romanians that chose to come back because of the new, worse salaries and interdictions on the labor market.

Romanians that returned to Romania for good had the chance to experiment migration, mentioning a series of negative effects: family problems, not being able to integrate in a community, racism and extreme materialism.

Unfortunately for the Romanians working abroad, only a small percentage of them succeed in finding a better job than the one in the country and maybe according to their studies.

The Romanian emigrant usually chooses the destination country based on the existence of certain close relatives (brothers, sisters), which would lead to an easy adapting, to finding a better paid job, or to persons that would help them unconditionally, the entire migration being based on the „walked path” principle.

The studies on migrants in EU show that despite losing their jobs, they would be more entitled to go back to their origin countries, unlike the migrants coming from non EU poor countries that prefer to remain in the destination countries, even if they lose their jobs. [7]

Migration in the present economic, political and social context in Romania, becomes, for the common unemployed Romanian in his country, a real „life boat”. If by 2008, the migration decision for the Romanian citizens was based on social grounds (family, close relatives working abroad), now people of almost all generations migrate, regardless their studies (middle school, high school, trade school, university), regardless their ethnicity, culture and age. The question is what makes Romanians leave for work abroad?

The answer would be: most of the Romanians leave for money or higher income, because of the lack of jobs, in order

to guarantee a decent living, because of the poverty in the country, of corruption, bureaucracy and austerity measures, or for investing inhuman capital (children or close relatives).

Their choice to remain in the Western countries or to come back home and join the unemployment represents a real dilemma for the now hopeless Romanian immigrant. [8] Under these circumstances, the Romanians that chose to remain in the host country, changed domains to forestry, sheep rising or various services: (barber shops, restaurants, hospitality industry, and tourism).

Working abroad is usually a temporary strategy, most of the Romanians choosing to come back in the origin country.

An extremely worrying situation is represented by the continuous grow of the highly qualified population.[9]

Romania faces more and more the so called „brain migration” phenomenon. Eurostat studies show that more than one quarter of the emigrants is formed by university graduates.

The most representatives emigrant categories are: workers, medical nurses, doctors, economists, professors, engineers, architects, IT specialists, which are qualifications also requested in Romania, but much less paid compared to any EU country.

4. Conclusions

The effects of migration on economic growth have a series of benefits for the origin country (Romania), the ones that come home benefit from leadership knowledge and other competences in various professions.

The migrants leave for work abroad for money, for substantial gains and come back to be near the families or because they made enough money to reach their targets in Romania.

Regardless the motivation, leaving for work abroad does not make one rich, but for sure, for the poor Romanian, it offers a more decent living than in the country.

Most of the immigrants returning home with the deepening of the crisis abroad declare themselves to be quite pleased to have the possibility to join their families, but they live a worse life in Romania than abroad, from their savings

Usually, the Romanian migrant returned in the country does not have very good chances to get a job here; most of these chose to start their own business, with their savings.

Generally speaking, we may say that the economic crisis had, and continues to have a series of negative effects for the Romanian migrant, choosing to return home, but also for every citizen of Romania.

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The Knowledge Based Society and Economy. Literature Review

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Abstract

In recent decades, humanity has become extremely concerned with finding plausible explanations about the post-industrial society and its sense of evolution. The literature in the field has been enriched with several terms, such as post-industrial society, information society, knowledge society, new economy, information economy, the new way of creating wealth, etc.. Meanwhile the world economy has entered a process of irreversible changes that have foreshadowed the new type of economy – the knowledge based economy.

Key words: knowledge based-economy, knowledge based-society, knowledge revolution, globalization

J.E.L. classification: D 83

1. Introduction

In the early 1990s, two major phenomena began to revolutionize the economy and the daily life all over the world, including Europe. On the one hand, the economic globalization, economies around the world becoming increasingly interdependent, and on the other hand, the knowledge revolution.

"In essence the knowledge revolution represents a fundamental change in the economy based predominantly on natural resources in the economy based predominantly on knowledge". The result of the knowledge revolution is the new knowledge-based economy.

"In essence, the knowledge-based economy is characterized by transforming knowledge into raw materials, capital, products, key factors of the economic production and is also characterized in economic processes in which the generation, sale, purchase, learning, storage,

development, knowledge sharing and protection become predominant and decisive condition in ensuring the sustainability of the both firms and economy" [1].

With the current knowledge revolution, obtaining the economic performances are conditioned by the existence and use of knowledge, of course calling also the other forms of capital that are and will always remain necessary in certain proportions.

The concept of globalization means from the economic and organizational point of view the integration or merging of national markets and, therefore, the development of new competitive labor and capital sources.

2. The knowledge based society

The phrase "economia bazata pe cunostinte" is used worldwide today. This name comes from the phrase "knowledge based society" or "knowledge based economy". The knowledge-based society or the information society is a post-industrial form of social organization in which the main activities and sources of incomes are related to the knowledge management.

The knowledge-based society ensures the dissemination of the knowledge to all citizens using mainly new methods like the Internet and methods of learning by electronic ways (e-learning)

3. The knowledge based economy

"The Knowledge-based economy is a highly personalized economy. In this economy, the overall success in the management of the organizations is based on the existence of an environment oriented on the production of new knowledge [...] "[2].

According to O. Nicolescu "the knowledge-based economy is characterized by transforming knowledge into raw material, capital, products, key factors of

economic production and economic processes in which the generation, selling, buying, learning, storage, development, sharing and protection of knowledge become predominant and decisive condition for the long-term economic sustainability." [3]

Romania must take into account the contribution of knowledge and innovation in the development process now more than ever, knowledge is the main sustainable and renewable resource of Romania

Milestones in shaping the new economy are:

- the years 1984-1988 when many transnational companies were no longer able to keep pace with the growth of the complexity of the problems faced;
- 1992 when investments in intangible assets have exceeded in the U.S.A the investment intangible goods.

In Europe a crucial element in promoting the knowledge-based economy is the European Union's strategy of establishing a knowledge-based economy adopted at the Lisbon summit in 2000 which aims to transform the EU economy in a competitive and dynamic knowledge based economy .[5]

In Romania the promotion of the knowledge based economy started with the "Knowledge Economy Project" initiated by the Romanian government through the Ministry of Communications and Information Technology which requires the implementation of electronic networks in a total of 200 local communities disadvantaged regarding the access to knowledge.[4]

The overall objective of the project is facilitating the participation of disadvantaged communities to the knowledge-based society in line with the Government strategy for EU integration.

The objectives of this project are to reduce disparities across Information and Communication Technology populations education, public access to information in digital format via electronic networks of local communities, providing electronic government services to rural communities, providing mechanisms to encourage entrepreneurial initiatives in Romania .

In addition between the first priorities of the Romania's National Development Plan 2007-2013 is: "Increase of the economic competitiveness and the development of the knowledge economy."

The development of the knowledge-based economy offers a new vision in which the informatics, economic, managerial, social and technological aspects are intertwined.

4. Characteristic of the knowledge based economy

O. Nicolescu and L. Nicolescu identifies a number of characteristics of the knowledge-based economy [1]:

- The primacy of knowledge in all spheres of the economic activity; knowledge is often an input more important to obtain performances than land, money or labor.
- In the knowledge-based economy the intellectual property will be majority (intellectual property is a form of a legal title that allows the owner to control the use of certain intangibles, such ideas or expressions, common forms of intellectual property include patents, copyrights, trademarks).
- Concentration of economic activities not on the production of goods but on the production and accumulation of knowledge goods. Knowledge and knowledge assets, tend to become the most popular and cherished goods for agents.
- The knowledge isn't based primarily on tangible resources (land, buildings, equipment), but on intangible resources represented by the knowledge of competent people.
- Using mostly symbolic products to the detriment of natural products (symbolic products are based on information whose value is independent of the physical characteristics of these goods, for example, cards, software, electronic commerce, electronic banking site).
- Increasing the intellectualization of work processes in general and especially of the economic ones. In some developed countries the intellectual work became predominant in the whole society to the detriment of traditional industries such as textiles and agriculture.
- Eliminating the need to concentrate large amounts of physical and human resources in an organization, in order to generate sustainable economic performances concomitantly with the

integration of computers, expansion of the home-work.

- Gradual disappearance of borders between the activities of the company by focusing on the gradual abolition of the hierarchical organization and replacing it with teamwork.
- Organizational performances are mainly based on exploiting and improving technologies.
- Majority share in the growing service sector, the whole economy at the expense of the manufacturing sector while the service generally incorporates a higher volume of knowledge, compared with the products.
- The development and growth of exports in general and the exports of knowledge in particular because of the blurring of differences between national markets.
- Rapid multiplication of the SME's while reducing the number of large firms because the former are more flexible and can adapt quickly to changes of the external environment. SMEs represents the main promoters of the knowledge economy as it have three essential features: flexibility, dynamism and innovativeness.
- Diversifying economic association forms between organizations in order to capitalize on higher level the knowledge and other resources available (eg. of forms of economic association between organizations: strategic alliances, networks of firms, clusters, industrial parks).
- Against the background of globalization and with available information and communication technology, companies can improve their cooperation.
- Obtaining competitive advantages in all forms of organization: firms, groups of firms, clusters, networks of firms, industries and economic regions, national economies and world economy based on the knowledge possessed and used.

5. Conclusions

The process of building on organizational environment favorable to knowledge is a complex, difficult process which requires a considerable period for the preparation and

performance of all great changes, with emphasis on the human nature and involves a number of specialists based on knowledge.

To benefit from the knowledge revolution concrete strategies are required to help countries in the transition process to the knowledge economy such as: educated and properly equipped population in order to generate and use knowledge, an effective system of innovation in firms and research centers.

Accepting the fact that the company represents all relations of cooperation between individuals and not a separate entity to which individuals are subordinate, allows understanding the role of education as the basis for the existence of the individual and society. The education influences how the individual acts.

"As the market become more competitive, less predictable, organizations have realized that their main values which are known and the ability to use this knowledge to achieve competitive advantage. [...] Transitioning to a knowledge-based economy and in particular the construction and operation of knowledge-based companies, cannot be achieved without an efficient management of knowledge" [7].

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Knowledge Based Company– a Theoretical Approach

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Abstract

In a stable economic environment, the change may be slow, and the organization would have time to react and maintain its competitive advantages. In contrast in a knowledge-based economy, the economic environment changes rapidly and the response is not the best alternative; in order to succeed, the organizations must be proactive, to anticipate, to be directed towards learning and permanently development.

The main resource of a knowledge-based company is the knowledge. This company is focused on knowledge creation, acquisition, learning, use, sharing, integration, exploitation and protection in order to achieve economic and social performance. From these considerations it is clear that the knowledge-based company is the learning organization that develops over time as the result of commitment and management processes applied and constantly pursued. Resources within the organization are directed toward learning. In the knowledge-based organizations are thus new opportunities for motivating employees to learn, by leaders, ways that in the traditional economy weren't an option.

Key words: knowledge based organization, learning organization, new types of organizations according to the knowledge based economy

J.E.L. classification: D 83

1. Introduction

The transition to the knowledge-based economy changes substantially the way the enterprises are established and operate.. At the foundation of any business is the tap of on opportunity.

"Knowledge-based companies are created, from this perspective, in two ways: valuing the new opportunities associated with the knowledge-based economy and valuing the opportunities of the classical economy, but in a new manner focused on knowledge [1].

The new types of technical and economic opportunities include new technologies, the Internet, the electronic commerce, teleservices.

2. The knowledge based organization

The development of the information society as a knowledge society is decisively conditioned in Romania and internationally, by the presence of intelligent organizations with advanced capabilities for managing their collective skills as sources of performance. Thus we can say that the main actors of the knowledge-based society are the knowledge based organizations.

Knowingly concept based organization has its origins around the years 1984-1988 when many transnational companies do not manage to keep pace with the growing complexity of the problems it faces. Knowledge-based organization is known as an organization focused on memory, intellectual-intensive company, organization, intelligence.

For Romania, the relevance of the concept of knowledge-based organization derives from the engagement of the country to the development to the information society - knowledge society, a condition for the sustainable development of the country and its European and Euro-Atlantic integration.

In the reality of the Romanian business environment, the firms of the old economy coexist and interact with those of the new economy and in their characteristics can develop gradually allowing them to fall in the second category.

Indispensable attributes of the learning organizations are: to establish a strategic vision, to expand continuously their creative

and innovative capacity, to motivate the learning process within the organization, to find in the learning process both an acquisition of new knowledge but also on improvement of the existing knowledge.

In the knowledge-based organization, rigid pyramid structures are replaced by non-hierarchical structural forms, the team consists of specialists, being outlined in this sense new management roles (chief knowledge officer, chief information officer), coordination is ensured by non-authoritarian means (standards, norms).

"The functioning of such organizations determining are the processes generic designated with the phrase "three I" respectively: "innovare" - innovation (creating new knowledge), "invatare" - learning (assimilation of new knowledge) and "interactivitate" - interactive partnership for knowledge. Engaging stakeholders in this process can be achieved only by creating an enabling and transparent organizational framework, the use of incentives and appropriate value systems, promoting active learning and dissemination of knowledge. "[2]

3. Characteristics of the knowledge company

The Knowledge-based company has several characteristics [1]:

- The reduction of the company in terms of the physical assets, employees used, work performed, concomitantly with the development of knowledge and expansion of the domestic linkages with customers, suppliers and external human resources.
- Outsourcing the activities not essential for the company, in parallel with the internalization of those who are, or are strongly complementary to the essential knowledge's of the organization.
- The development of the company will be based on increasing in depth and / or width of firm knowledge's.
- The internal organization of the knowledge based company will be characterized by less structured networks, semiautomatic teams made up of individuals possessing the knowledge,

availability for learning that lead to maxim effectiveness and efficiency.

- The integration in the company of "knowledge managers" who often begin their work as consultants of the organization.
- Targeting the investments in training in the foreign labor used, in order to replace the staff who doesn't not progress efficiently.
- Restructuring of the motivation system, enhancing the rewards taking into account the performances and merits.
- Developing an open culture, inviting customers and suppliers as well as other categories of stakeholders to watch how the decisions that affect them become operational.
- The practice of multiple forms of collaboration with other firms, such as strategic partnerships.
- The barriers between the individual and organization are reduced.
- A major attention is paid to obtain, use, protect the intellectual capital.
- The approach to build a effective, dynamic and competitive knowledge based organization begins with the satisfaction of the employees requiring constant and rapid processes of individual and organizational learning, the harmonization of the individual objectives with the organizational objectives, visionary and intellectual leadership.
- The Knowledge-based company will be simple with fewer levels, more flexible and intelligent.

Therefore in the context of the knowledge-based economy, it is necessary to shape a new type of organization - one based on knowledge and a new type of management - knowledge management. In practice, the knowledge management consists of approaches, methods, techniques of companies focused on the production and use of knowledge.

In most existing companies in transition to the knowledge-based company, it is necessary reengineering the organizational system in all its components. The main features of the organizational system of knowledge based company are: [1]

- extensive use of delegation;
- diminish the importance of hierarchical relationships and enhance the cooperation relationships;
- develop relationships with the external stakeholders of the company.

4. Learning organizations. Characteristics

A learning organization consists on workers who learn. For most organizations, the ability to create a sustainable future is directly proportional to how they are encouraged to develop their intellectual abilities of employees.

a) Transforming a company into a learning organization is a process that includes a series of steps:

- establish a strategic goal: achieving the stage of a learning company;
- determining the set of actions necessary to achieve that objective;
- awareness by employees of the need to transform knowledge in the company's main resource.

b) The use of the gained knowledge in developing business activities and thus to generate new knowledge.

c) The use of all forms of organizational learning: classical methods (lectures, discussions), modern methods (case studies, games, simulations), and other ways: mentoring, extensive use of participatory management methods, the delegation;

d) A learning organization means first of all employees who learn: employees must have a behavior focused on learning, acquired through intensive communication between all employees and on intense involvement of the managers in learning.

e) Learning occurs not only at individual level but also at the organization and in this direction is necessary to know and always take into account the major factors influencing the organizational learning (business environment, organizational structure, organizational culture, company strategy).

f) Shaping in the knowledge based company of a new type of employees named: knowledge-based employees.

The knowledge based company is based on knowledge-based strategies. These strategies based on knowledge present new elements such as:

- knowledge's are the most important strategic resource company;
- learning is the most important capability of the organization;
- business activity is materialized in knowledge products and services;
- the innovation activity influences the performance and even the existence of the organization

5. Conclusions

The transition to the new economy means changes in all spheres of activity. The main reasons for the change in an enterprise are:

- the work becomes more complex, manifesting the need to deliver higher quality products and more competitive;
- the nature of businesses has changed and the competitive environment has become more demanding as a result of changes caused by:
- the increased reliance on the intellectual capital (in the past businesses were based on physical and financial capital);
- the globalization process (competitors from around the world can provide high quality products);
- consumers become better informed and may have refined demands; today's consumers have the possibility to choose among a greater number of suppliers, compared with the past.
- employers demand more involvement in work.

The individuals from the organization of the enterprise, come with ideas and have access to knowledge and information, which are disseminated at all levels and applied in everybody's work for higher performance [11].

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The Role of the National Bank of Romania in Organizing the Surveillance of the Financial Sector and it's Financial Stability During the Current Financial Crisis

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Abstract

In the absence of appropriate remedial measures, financial instability can cause the collapse of even more financial institutions, problems in the financial system infrastructure and it can ultimately affect all the financial markets. The contagion effect threatens to spread internationally and it produces the destabilization of the financial system as well as of the global economy. The global financial crisis has been felt all over, in our country. The National Bank had to take a series of measures in order to eliminate the risk of contagion. The present paper aims at approaching the topic of the role that the Romanian National Bank has in the supervision of the Romanian financial system, whose main purpose is to ensure financial stability.

Key words: banking supervision, the National Bank of Romania, financial stability, financial crisis, financial sector.

J.E.L. classification: E 58, G21.

1. Introduction

The current financial crisis, characterized by the pursuit of profit and increased risk taking, requires a prompt and concerted action on the side of central banks and governments for the affected countries. The measures taken for this cause are designed to restore confidence in the international financial system and they are conceived with the purpose of mitigating the risk management deficiencies as well as other

weaknesses which hamper the performance of financial markets. Hence, in terms of regulatory framework, a profound reform is mandatory. The last should be supported by a radical change in the entire architecture of the international as well as of the regional supervision so that the new formula can ensure the revival, strengthening and improvement of the international system as a whole.

The global efforts must be strengthened through EU and national efforts in order to improve the quality of prudential supervision at both the microeconomic and the macroeconomic levels.

The basic international standards for effective banking, revised in 2006 by the Basel Committee, represent an authentic tool in the assessment of the institutional as well as of the organizing capacities which a national supervisory authority may have. The progress of its activity should be in accordance with the best practices of regulated surveillance. These principles formed the basis for FSAP (The Financial Services Action Plan), being used by the IMF and World Bank within assessment programs of the financial Sector of a state from the perspective of its financial stability, its developments and the degree of compliance with the financial standards and codes of conduct. Starting from this point, this paper aims at analyzing the case of National Bank of Romania, as main supervisor of the national banking system and its role in maintaining the health and viability of the last, having as ultimate goal the status of financial stability.

It is considered however that there are some functions of the Central Bank which can contribute to financial stability (Cerna Silviu, 2008). These functions are: banking regulation and supervision, the management in oversights of payment systems, deposit insurance and lender-of-last-resort function. These traditional features have emerged through the gradual involvement of the institution in ensuring financial stability. There are various definitions of the economic concept of financial stability, both in literature and in practice. It is worthy of consideration that the economic literature and practice haven't reached a common view regarding the content of the concept of "financial stability", its features being revealed rather by the opposite notion of "financial instability". Authors such as J Chant believe that "the financial instability refers to those conditions of financial markets that affect or threaten to affect economic performance through the impact they have on the financial system" (Chant, 2003). Crockett also defines "financial stability" as the absence of instability and even more specifically as the "situation in which economic performance is not affected by potential asset price fluctuation or by the failure of the financial institutions in fulfilling their obligations" (Crockett, 1997). F Mishkin also believes that "financial instability occurs when shocks in the financial system interfere with information flow in a way that the financial system is no longer able to perform functions and resources so that it can analyze the most productive destinations" (Mishkin, 1999). Cerna S believes that "financial stability is the state in which the economics of pricing, valuation and financial risk management division work well enough to contribute to an increased economic performance".

As far as the National Bank of Romania is concerned, its first "Financial Stability Report" defines "the financial stability" as "that feature of the financial system to cope with systemic shocks on a sustainable basis and without major disruption, to efficiently allocate financial resources in the economy and to identify and manage risks effectively" (NBR, 2006). Moreover, Mugur Isarescu, the governor of the National Bank of Romania, explains that "financial stability is when the financial system is able to attract

funds and to place money in an efficient and able way so that it can withstand shocks without hurting the real economy" (M. Isarescu, 2006).

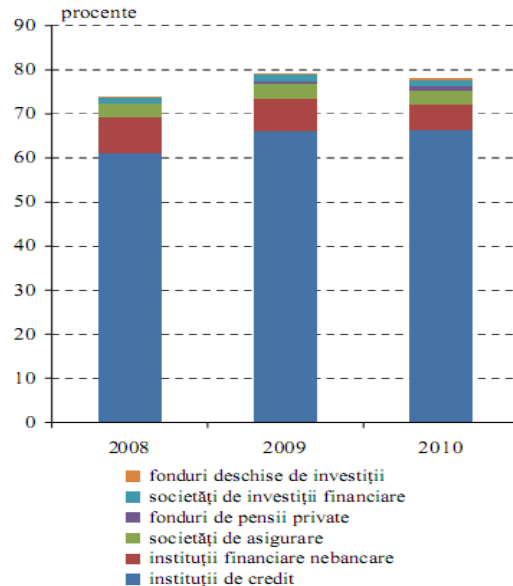
In conclusion, the financial system is likely to hinder the normal development of business processes and achievements desired performance in an endogenous way, even in the absence of exogenous shocks. Financial stability does not necessarily mean the absence of seizures but rather the prevention of those imbalances which could affect the integrity of the financial system, and block the real economic processes.

2. The structure of the financial system in Romania

In 2010, the degree of financial intermediation was narrowed slightly because of the tensions existent on international financial markets and because of the decreased economic activity. The credit institutions represent the main component of the financial sector. Their exposure to the other financial institutions in Romania as well as their attracted resources from the last, are not at risk of direct contagion, within the financial system. The high level of concentration of financial changes indicates the credit institutions as the only ones exposed at systemic risk. The share of financial assets in GDP is an indicator for assessing the degree of financial intermediation in the economy and it shows a slight decrease, in 2010, compared to the situation of the financial intermediation sector, in 2009. The structure of the financial intermediation sector indicates a local financial literacy oriented mainly towards the banking sector, while investment capital market, growing, yet has a low share (Figure 1). Thus, only in a limited extent can the capital market take over the role in financing the real economy. Even though it has a good absorption capacity as it was tested in the underwriting of public offerings, this usually happens whenever the banking sector imbalances. Financial investment companies have a key role in brokering the stock market, but the assets held by these entities are very low. In regards to the structure of the banking system, table number 2 displays the decrease in the share of financial institutions during 2008-2010. This was caused by the

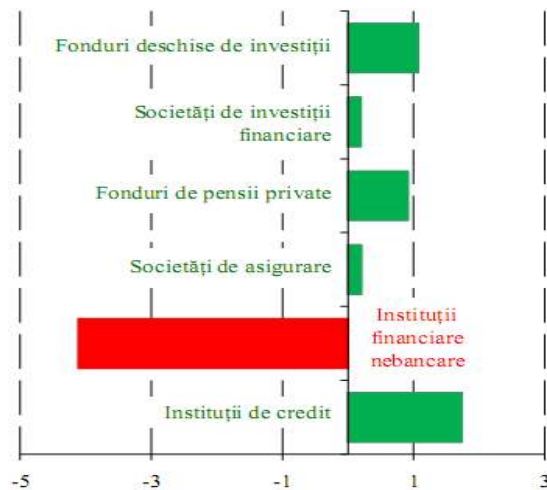
high risk of default of their portfolio and it has led to restrictions in lending and thus it reduced balance sheet assets

Figure 1. Structure of the financial system
(as a percentage of net assets in GDP)



Source : National Bank of Romania

Figure 2. The evolution of financial system
components during 2008-2010
(local shares in system)



Source : National Bank of Romania

The analysis of evolution of the financial system (during 2008-2010- Figure 2) reveals that credit institutions recorded the largest increases, being followed by the open-end investment funds and by the private pension funds. Small increases were recorded among the financial investment and insurance companies.

3. The organization of the financial sector's supervision and financial stability in Romania

Apart from the developments which take place on the structure of the financial system, the surveillance of the Romanian financial sector continues to pursue the traditional pattern, in which there is a supervisory and regulatory authority for each segment of the financial sector component. The institutions involved in the supervision of the financial sector and regulation are the following: The Ministry of Economy and Finance, the National Securities Commission, Insurance Supervisory Commission of the Private Pension System Supervision and the National Bank of Romania.

The National Bank of Romania has responsibilities which are provided in detail in Law No. 312/2004, on the Statute of the NBR and the Government Ordinance no.28/2006 regulating certain financial and fiscal measures. According to law, the Central Bank contributes at supporting financial stability as well as it contributes in the management of potential financial crises by doing the following:

- Ensuring and maintaining price stability;
- Licensing, regulation and prudential supervision of credit institutions;
- Promote and oversee the smooth operation of payment systems;
- Providing temporary liquidity for credit institutions in order to prevent systemic risk events: only exceptionally can NBR borrow to credit institutions, loans (unsecured or secured by assets others than those provided for in the Article no. 19 of Law no. 312/2004);
- By supervising the financial institutions which are listed in the General Register and by prudential supervision of financial institutions registered in the Special Register and which operate on Romanian territory.

Due to its status of monetary and prudential authority, the National Bank of Romania has a role in maintaining financial stability intrinsically. Its tasks are subsumed to financial stability objectives. They are pursued by: the regulation and prudential supervision of institutions under its authority, the formulation and effective transmission of

monetary policy, assuring an optimal functioning in the payment and settlement systems of systemic importance.

The transformations which occurred, over time, in the Romanian financial system, led to an increased cooperation between the NBR and other regulatory and supervisory authorities in various sectors of the Romanian financial system. Thus, a cooperation agreement was established having as main purpose to ensure the effectiveness of the conditions for growth in normal and in crisis situations. This was conducted by the four supervisors previously mentioned, who activate in the four sectors of the financial market in Romania and it had the Ministry of Finance among the signers.

The agreement between the Ministry of Finance, the National Bank of Romania, the National Securities Commission and the Insurance Supervisory Commission of the Private Pension System for Cooperation on financial stability and crisis management, signed on July 31, 2007 led to the founding of the National Committee for Financial Stability. The principles governing the cooperation between the four financial supervisory authorities of the Romanian financial market and the Ministry of Economy and Finance are: a clear delineation of responsibilities, transparency, efficiency and exchange of information under conditions of professional secrecy.

According to the Government Emergency Ordinance No. 99/2006, in terms of credit institutions and capital adequacy, which was approved with amendments by Law 227/2007, in order to protect depositors and the stability and viability of the entire banking system, the National Bank of Romania provides prudential supervision for credit institutions, Romanian legal entities, including their branches established in other Member States or in third countries, by setting standards and prudential indicators and monitoring their compliance and other requirements prescribed by law and regulations, both individually and on a consolidated or sub if necessary, to prevent and limit the risks specific to banking. This ordinance has brought substantial changes regarding the way banking surveillance assures the transition from a compliance-based approach to a risk assessment approach.

Also, it requires the existence and operation of a risk management system comprising:

- Identifying, monitoring and reporting risks by bank management and by internal control mechanisms;
- Determining capital requirements for covering credit risk, market risk and operational risk ;
- The exercise of prudential supervision of credit institutions by the National Bank Supervision Department and collaboration with other competent surveillance authorities;
- The principles of consolidated supervision-setting competent authority in Romania or in Member States of the European Union.

In order to ensure effective supervision, NBR establishes written agreements of coordination and cooperation with the competent foreign authorities.

In this respect, the following agreements are worthy of consideration:

1. The Cooperation Agreement between the authorities responsible for monitoring the payment systems and banking supervisors, in Stage Three of EMU (2001). The National Bank of Romania joined it on the 1st of August, 2007;
2. The agreement of cooperation between banking supervisors and central banks of EU, in the field of crisis management (2003).The National Bank of Romania joined it on the 1st of August 2007;
3. The Multilateral Agreement of Cooperation between banking supervisory authorities and central banks, and the finance ministries of EU countries, focused on situations of financial crisis. It initially entered the EU in 2005, just that, later on, it was replaced by a new agreement which entered into force on the 1st of June, 2008.

The new agreement promotes cross-border cooperation between the aforementioned authorities, both in normal situations, by strengthening their preparation for management of potential crises and in situations of the financial crisis. The document introduces several new elements. The National Bank became a signatory of the agreement on the 4th of April, 2008, in the ECOFIN Council meeting.

The importance given to the cross-border banking groups has led to a more careful monitoring of these entities, at a consolidated as well as at an individual level. Taking as a starting point the agreement developed by CEBS / EBA, the surveillance authorities have to complete, by the end of 2009, cooperation agreements with all the authorities from the host country, for a list of cross-border banking groups established by it, with the purpose of supervising any of the groups in question. The list was extended to the end of 2010. Hence, the banking groups identified that a number of 18 colleges of supervisors are present in Romania.

Also, the National Bank carries out a monitoring program for the non-banking financial institutions subscribed in the General Register as well as the prudential supervision of those activating on Romanian territory.

Another concern of the NBR is related to its design and its management in regards to the payment and settlement system, in national currency. In the statute of the central bank, it's stipulated its attribution, as central bank and as a member of the European System of Central Banks, concerning the promoting of a smooth functioning of the payment systems.

The measures taken in this regard are the following:

- provision of means of payment and settlement for financial instruments. The Central Bank operates with high-value payments in lei (REGIS), depository and settlement systems for financial instruments (SAFIR) and a system of compensation, payments by debit instruments such as checks, bills of exchange and promissory order;
- promoting efficiency in payment systems and infrastructure in order to adapt to the requirements of the Single Euro Payments Area (SEPA).
- supervising the payment and settlements systems which operate by financial tools;
- cooperation with national and European authorities to ensure a regulatory and supervisory framework harmonized with international standards.

4. Conclusions

The recent turmoil, existent in financial markets, has laid emphasis on the importance of ensuring a stable and sound financial system, but it also highlighted the importance of the role which authorities have in proper and prompt risk management. The National Bank of Romania has contributed significantly to the strengthening, supervision and regulation of the financial sector.

In the context of the financial crisis, the National Bank has intensified its actions which prove to be similar to those carried out by European authorities, in terms of reducing vulnerability by ensure liquidity and capital adequacy.

Finally, it can be acknowledged that the Central Bank's role in ensuring financial stability is of main importance. Crucial arguments in this regard are related to the existence of informational synergies between the supervision of the financial sector and central bank functions, its orientation and to monitor systemic risk as well as between its independence and technical expertise.

5. Acknowledgement

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Analysis of the Recent Evolutions of the Romanian Motor Insurance Market

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Abstract

This paper aims to be an analysis of the Romanian motor insurance market for the period 2006-2010. Motor insurances with those two component parts, motor own damage insurance (Casco) and motor third party liability insurance (MTPL), represent the greatest percentage of the general insurances, fact that highlights the importance these types of insurances have. The motor insurance market analysis has been done from both quantitative and qualitative perspectives, on the basis of some indicators such as: the penetration degree of motor insurances, the density of motor insurances, the subscribed raw premiums and the paid raw wages, the degree of concentration of motor market for CASCO and MTPL insurances. There are emphasized also factors affecting the future evolution of motor insurance.

Key words: motor insurance, third party liability insurance, own damage insurance
J.E.L. classification: G22

1. Introduction

The Romanian motor insurance market is highly dominated by the motor insurance sector, with its two basic categories: Casco insurance and MTPL insurance.

The Casco insurance type is designated to cover the damage and the theft of the owned automobile, and at another extent the accidents of the car occupants, meanwhile the MTPL insurance type aims to cover the prejudices the insured person causes to a third party, according to his own claims. In addition, motor insurance has evolved to

incorporate other forms of cover such as breakdown and emergency protection, legal expenses, and other add-ons. These are more normally incorporated into comprehensive product types. The implication is that MTPL is a more homogenous product (at least when considered within an individual national market) and - all else being equal - one would expect a greater focus on price competition in MTPL [9]. This aspect is the most important for companies when it set up the strategy on this market segment.

Due to the importance on the insurance market, the evolutions of the two components of motor insurances will have a profound influence on the entire insurance market, and the share market these insurance companies get in the case of motor insurances can lead the mentioned company to a top position on the market. Therefore, the analysis of this market highlights the major influence channels of the entire Romanian insurance market.

2. Analysis of the Romanian Motor Insurance Market

Firstly, the motor insurance market analysis has to take into account aspects related to its importance for the whole economic situation of a country. From this point of view we will emphasize the evolution of penetration degree of motor insurances into economy, which reflects the weight of the subscribed gross premiums into the GDP, and the density of motor insurances representing the value of subscribed premiums/ inhabitant, as well.

The analyses of the evolution of the penetration degree for the motor insurances will definitively sustain the greater importance this sector has in the national

economy. In this way, one can see the increase of this indicator for the period 2006-2009, which means that the weight of motor insurance sector into the GDP value has registered an increasing tendency, getting to 1,13% in 2009. Moreover, this indicator value is still reduced compared to the most developed countries, fact that reveals the great potential of insurances in the Romanian economy.

Table 1. Penetration degree and the density of motor insurances for 2006-2010

Year	Penetration degree	Insurance density lei/inhabitant	Insurance density lei/inhabitant in real terms
2006	0,90%	143,99	143,99
2007	0,99%	191,64	168,71
2008	1,05%	251,20	196,34
2009	1,13%	259,68	193,57
2010	0,96%	231,20	157,22

Source: the author's data processing after the CSA Reports for 2006-2010

It is also the density of motor insurances which registered the same increasing tendency up to 2009; and this shows the idea that motor insurances have been developing in Romania, the value of the subscribed premiums for inhabitant in 2009 being with 50% higher than the value in 2006. And this will show either the increase of insurance premiums paid for a period of time, or the increased number of insurances closed. The explanations of these evolutions are the growth of the car fleet, introduction of the CEDAM database, which permits to identify more accurately the cars without MTPL insurance, the growth of the revenues in the period 2006-2008.

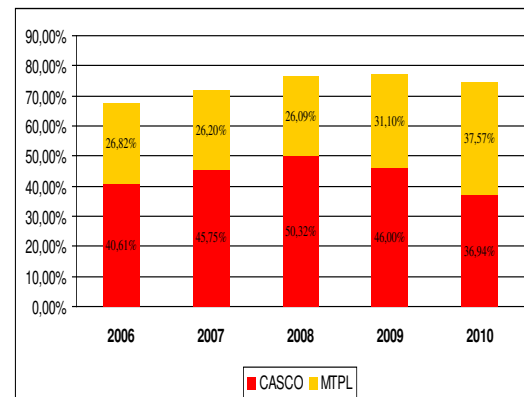
In what the importance of motor insurances on the Romanian market is concerned, it is reflected by the average rate of the subscribed premiums in the total amount of the subscribed premiums from general insurances, as shown in Figure 1.

As Figure 1 shows, the rate of motor insurances within the general insurance market represents more than 70% for 2007-2010, while in 2006 this represented only 67,43%. The tendency proved to be an increasing one up to 2009, but in 2010, due to the economic and financial crisis effects, the average rate of motor insurances has been

significantly reduced on the general insurance market; and that has been determined by the continuous decline of Casco insurances.

As the importance of those two components is concerned, we can state that the market promoter has been represented by the Casco insurance up to 2008. Starting with 2009, the Casco insurance rate has been significantly reduced, so, at the level of 2010 the MTPL has become the most important component of the general insurances market. As was highlighted by others authors, income is an important driver for non-life sector [3]. This is visible on the Romanian motor insurance market, where the diminishing of the revenues generated renunciation to the Casco insurance by some of the car owners. As a way to counteract this tendency, the insurance companies issued new insurance products, covering a small range of risks, but cheaper.

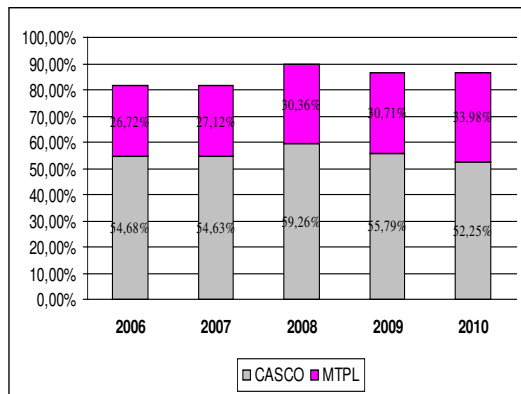
Figure 1. Evolution of the subscribed premiums rate for motor insurances in general insurances in Romania



Source: the author's data processing after the CSA Reports for 2006-2010

Another indicator that mark the motor insurance importance on the general insurance sector is represented by the gross paid claims, respectively by the paid claims for motor insurances from the total paid claims for general insurances. Graphically this rate detailed on those two components of motor insurance is presented in Figure 2.

Figure 2 – Evolution of gross paid claims for motor insurances and their structure



Source: the author's data processing after the CSA Reports for 2006-2010

So, one can state that the gross paid claims for motor insurances represented more than 80% from the gross paid claims for general insurances for each year of the mentioned period, the highest rate being of 88,62% in 2008. As a structure, more than 50% of the paid claims for general insurances represent gross paid claims for Casco insurance, as those paid for MTPL insurance represent around 30% from the total amount of the paid claims. In what the tendency is concerned, there can be seen an increase of the claims rate for the MTPL insurances during the whole period of 2006-2010, while in the case of Casco insurance the claims tendency has been similar to the subscribed gross premiums. Moreover we have to take into account that the depreciation of the national currency also affects the business of the insurance companies because the prices of spare parts and the costs of damages are calculated in euros. Actually all the costs that contribute to damages are more or less related to the euro currency.

The analysis of the motor insurance market has to aim the structure on different motor insurances, and that can allow us to bring into play other aspects, as well.

Table 2. Subscribed gross premiums from Casco insurances for 2006-2010

Year	Subscribed gross premiums Casco insurance			
	lei	$\Delta\pm$ (%)	Euro	$\Delta\pm$ (%)
2006	1864567015	-	529030221	-
2007	2619859216	40,51	785023587	48,39
2008	3557030729	35,77	965875778	23,04
2009	3330988688	-6,35	786111129	-18,61
2010	2453009347	-26,36	582676393	-25,88

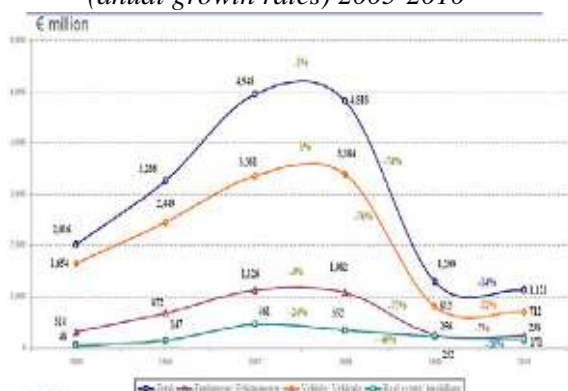
Source: the author's data processing after the CSA Reports for 2006-2010

According to the data shown in Table 2, one can see that, from the Casco perspective, after a sustainable increasing period registered in 2006-2008, when the rise had the value of 40, 51% (in lei) or of 48, 39% (in euro), it followed a period of decreasing the subscribed gross premiums, first a reduced one (6, 35% in lei or 18, 61% in euro), but later much higher (over 20%). The analysis of the subscribed gross premiums in euro is essential because the premiums value concerning the insurance companies is calculated in European currency for most cases, even if later on its payment is done in lei; so, from this point of view the market evolution is significantly influenced by the exchange rate [4].

The crisis effects on the Casco insurances market can be primarily seen through the slowing process of the increase of the subscribed premiums volume in 2008; later on, the subscribed premiums value registered important losses, and at the end of 2010 their value highly decreased getting a much lower value than in 2007.

An important cause of such an evolution of the Casco insurance is determined by decreasing volume of car sales, especially by the sales financed by leasing or bank loans for which the concluding a motor own damage insurance is a contractual condition. This is why the massive drop in car sales had a major influence in the non-life business volume [5].

Figure 3 Financial Leasing Market evolution
(annual growth rates) 2005-2010



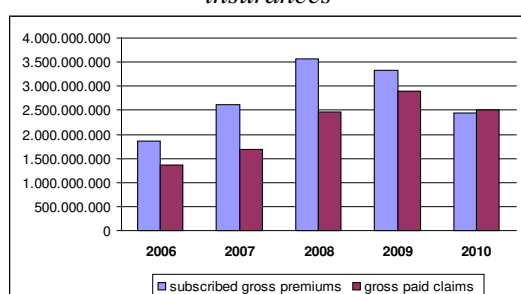
Source: Association of financial companies – ALB Romania

As one can see in Figure 3, the financial leasing market in Romania has followed the same decreasing evolution for the period 2008-2009, which obviously generated the income decline of the car insurances.

The high importance of Casco insurance for the insurance market can be viewed as a warning factor as the lack of the leasing contracts can generate the decline of CASCO insurance. This was the case in 2010, when the insurance market had to get used with the economic crisis effects. The relaunching of the leasing market in the case of car sales will directly lead to increasing the CASCO insurance types, but the maintenance of the crisis will generate new decreases on the insurance market and a need for insurers to restructure their activities.

More than that, another concerning factor is represented by the evolution of the report between the subscribed gross premiums and the paid claims, as it could be seen in Figure 4.

Figure 4 – Evolution of the gross paid claims vs. the subscribed gross premiums for Casco insurances



Source: the author's data processing after the CSA Reports for 2006-2010

Taking into consideration this comparison, there can be seen a concern in the case of Casco insurance system. So, simultaneously with the decrease of the subscribed gross premiums in 2009 there can be seen the fact that the paid claims has registered an important increase compared to the previous year, and in 2010, despite the lower value of the paid claims than in 2009, these exceeded the subscribed gross premiums. Such a situation can be solved by a much more adequate way of establishing premiums for motor insurances – higher premiums for the insured persons presenting a high risk. This is quite difficult to be put in practice, due to the lack of a unique base concerning the damages paid for this type of insurance. Solving this aspect can be done by taking into account general elements as it follows: the insured person's age and experience, the car roller capacity, statistics concerning the car accidents and storms, the automobile type and its brand, the insured risks, technical performance, easy repair works, the exchange pieces accessibility and availability, attraction in favour of thieves, the account of solicitor's damages, the roads condition, street-traffic control lights, road scraper. A solution adopted by the vast majority of the insurance companies referred to introducing the possibility (in many cases the obligation) of signing casco insurance contracts with deductible franchise for each particular event, together with appropriate reducing of the insurance premiums as set by insurance tariff. According to data in Figure 4 these measures proved to be insufficient and new solutions are to be imposed in this area.

In what the MTPL insurance type is concerned, the analysis of the subscribed gross premiums highlights their constant increase (both in lei and in euro), which is due to its compulsory characteristic, and which allowed it to exceed the Casco insurance average rate on the total insurance market in 2010.

Table 3. MTPL insurances for 2006-2010

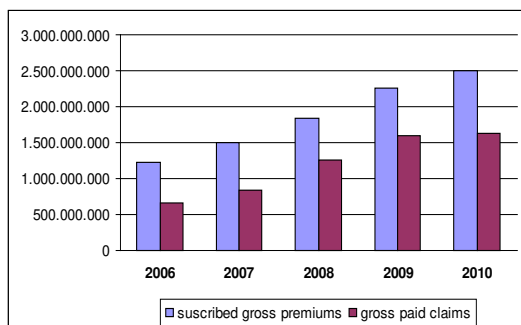
Year	Subscribed gross premiums from MTPL			
	lei	$\Delta\pm$ (%)	euro	$\Delta\pm$ (%)
2006	997630000	-	283.055.753	-
2007	1397595000	40,09	418.780.152	47,95
2008	1794599000	28,41	487.305.238	16,36
2009	2159584000	20,34	509.660.397	4,59
2010	2464451000	14,12	585.394.190	14,86

Source: the author's data processing after the CSA Reports for 2006-2010

One can see that the subscribed gross premiums from MTPL insurances have had an increasing evolution for the analysed period. This increase is due to both the growth of MTPL average premium on the market, premium which has risen from 598 lei in 2009 to 646 lei in 2010, and to the growth of contracts of insurances signed, from 5845000 in 2006 to 6555000 in 2010, as well. In 2010 it was introduced "bonus-malus" system, which gives the insurance company the opportunity of allowing certain discounts to the insured who did not cause car accidents or who did not ask for compensations during the insured period; on the contrary, for those who did cause car accidents which caused claims payment, there are additional premiums to be paid. Although the great majority of the insured benefited by the bonus clause, the value of the total subscribed premiums has increased.

The evolution of the value for the MTPL paid claims for the period 2006 – 2009 has constantly increased, but we should also stress the idea that from the perspective of their rate into the subscribed premiums, they had a sinusoidal curve. It has to be noticed that the highest report between the paid claims and the subscribed gross premiums was registered in 2009 (70, 92%), but in 2010 this diminished, especially on the basis of the premiums growth, because the claims paid was almost identical.

Figure 5 – Evolution of gross paid claims compared to the subscribed premiums for MTPL insurances



Source: the author's data processing after the CSA Reports for 2006-2010

Nevertheless the year 2011 lead to the fact that certain insurance companies adopted more risky subscribing policies, and this way a decrease of average bonus appeared in the case of MTPL insurances. This obviously

will create negative effects on the insurance company's financial results and on the market, as well.

Another analytical element of the motor insurance market is represented by the degree of market concentration, indicator which is more relevant for the area of Casco insurance type, and less for MTPL insurances, system in which the number of companies supplying this product is highly reduced.

Table 4. Concentration degree of the car insurance market

Anul	Casco insurance		MTPL insurance	
	top 10	top 5	top 10	top 5
2006	95,28%	72,29%	94,44%	63,72%
2007	86,90%	67,06%	93,08%	52,69%
2008	94,07%	67,06%	92,20%	61,57%
2009	94,26%	66,41%	91,83%	56,04%
2010	96,57%	71,85%	97,02%	64,36%

Source: the author's data processing after the CSA Reports for 2006-2010

The data from table 4 demonstrate that the motor insurance market is very concentrated. So, in the case of Casco insurance, one can easily state that from more 40 of insurance companies the first five ones represent 70% of the market, and if we are going to refer to the first ten companies their average rate is around 95% for 4 years from those 5 analyzed. Such a situation reveals that the other 30 insurance companies are slightly present on the market. As regards MTPL, the number of companies which had the opportunity to sign insurance contracts is relatively reduced (13 companies in 2010), so we can say that the real number of significant companies is much more reduced in comparison to the total number of insurance companies. Even if a small insurance company bring new products of casco insurance or establishes low premiums for MTPL insurance, the access and maintaining into the package of relevant ones is quite difficult, especially due to the significantly high report between the gross claims and the subscribed premiums, which does not allow the less solid companies to succeed in supporting the claims, and to the lack of the potential clients trust in its financial capacity.

3. Conclusions

The analysis of the Romanian car insurance market highlights a few important aspects of the economic- financial crisis. Firstly the negative evolution of Casco insurances is to be mentioned. This decrease is caused by the economic crisis effects: increased unemployment diminished domestic consume, salaries cuts, due to which more and more Romanian car owners either renounce to sign a Casco insurance policy or to use their cars, without withdrawing them from traffic. To all of these there can be added the cars returning to the leasing companies because their owners could not pay off the debts anymore and the leasing companies could not find other potential clients in real time.

We have also to take into account that the national currency depreciation affects directly the activity of car insurance companies, under the circumstances in which the price for the exchange component parts is calculated in euro. Under these terms any rise or any influence has a negative impact, since the subscription has been realized at a historic rate and the compensation at a depreciated level.

Other elements influencing the efficiency of car insurances refer to the high degree of damages, the major factors having a great impact over them such as: the road infrastructure, the great number of cars and the disrespect for law, and the relationship between the insurance companies and the car service station.

The data provided for the first semester of 2011 reveal a substantial reduction of both components, especially significant in the case of MTPL, due to the policies of low premiums established by a large number of insurance companies. Among the elements to influence the Casco insurance market there is the implementation of the bonus-malus system on the entire market, by the time when Casco component should function as part of CEDAM database.

The direct effect of such a measure will be to stop the insured's solution materialized by changing the insurance company next year after they had damage. Additionally, this fact will lead to the correctness of the drivers involved into car accidents with material losses, so that the temptation to use the Casco insurance should disappear in favour of the MTPL insurance usage.

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The Reform of the Romanian Banking System

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Abstract

Anyone who has been familiar with one of the most rigid banking systems in former socialist countries would now be surprised of the relative transformations that have occurred within the Romanian banking system and within the financial sectors, and of the progress which has been realized. The promotion has not been related only to the development of several institutions and to the implementation of the transaction from a unique bank to a double stratified system. Laws and governmental decisions have led to the rapid development of millions of new economic agents and to the transfer of their financing task from the state budget to the banking system.

In order to understand these changes, it is necessary to present the structure of the banking system before the year of 1990, a system which was similar to that of all centralized economies.

Key words: banking system, reform, international systems

J.E.L. classification: E5

1. Introduction

The National Bank of Romania combines the functions of a central bank with several functions of a commercial bank. Together with other state institutions, it was elaborating the crediting and currency projects for economy and it was monitoring their implementation. It was organizing the warranty of short term credits on basis of the approved plans and the extension of credits towards enterprises and economic organizations which have had there an account.

The four specialized banks (for investments- renamed the Romanian Bank for Development, for international commerce- renamed Bancorex, for agriculture- the Agricultural Bank, and for savings- the CEC) have had accounts at the National Bank of Romania and they could receive credits, when in need for supplementing their resources, with the exception of CEC which was re-depositing the population's money at the National Bank of Romania.

The main objectives of the monetary and credit policy were:

- to provide the required credits for enterprises, so that these enterprises could carry out their tasks;
- to provide enough ready money in economy, in conformity with the planned amount of available goods.

The introduction of the two steps banking system and the legislation in 1991, concerning the National Bank of Romania and the commercial banks, are at the basis of the transformations of the banking system. This system is still substantially dominated by the old specialised banks, although there is an erosion of those specialisations on activities. The new banks try to gradually enter the "universal" banking activity or to build up a niche on the market. Most of the banks have witnessed the rapid increase of services demand through the fast development of branches and personnel; they have entered the market of important foreign banks, but most of them are focused on services for commercial companies (corporate banking).

Without minimising the relative progress, the transformation of the banking system is still into an incipient stage. A fast rhythm of the substantial transformations and performance improvement is a permanent premise for a more efficient mobilisation of resources and for the allocation of funds for the long term increase in economy.

2. The Legal Background

The reform of the banking system actually starts in December 1990, with the concentration of the commercial banking operations of the National Bank into the new founded Romanian Commercial Bank. A double stratified system has become operational in April 1991, after the promulgation of the Banking Activity Law (Law nr. 33/1991) and of the Organisation of National Bank of Romania Law (Law nr. 34/1991). Starting from November 1991, supplementary reforms have included the transfer of the administration of foreign currency reserves and the transfer of the control of the exchange system at the National Bank.

The banks with public capital have been reorganised as stock companies, through the State Enterprises Reorganisation Law (Law nr. 15/1990). Their title to property has been defined through Commercial Companies Privatization Law (Law nr. 58/1991). Through this Law, 70% of the banking capital has been transferred to the State Property Fund (STP) and 30%- to the five Private Property Funds (PPF) (more exactly 6% for each Fund).

Moreover, in what concerns the above mentioned Laws, the National Bank of Romania issues and brings up to date regulations regarding *the exchange system, prudence regulations, the reform of payment systems*, and regarding other banking operations. Starting with 1st January 1998, it has also been applied a new system of banking accounts, regulated by the Law nr. 50/1998.

Other decisions made by the Government and by the National Bank have also had an impact on the perations and on the financial health of public bankc.

These decisions concern the non-performing credits granted before 1990 and, more recently, the non-performing credits for the financial reorganisation of state enterprises (towards which banks were required not to levy interest and to reschedule the debts) and the extension of tax deduction on the commissions for non-performing credits.

3. The Evolution after 1989

Within the legal background, all commercial banks are allowed to function as "*universal banks*". In fact, certain functions of the universal banking activity are not allowed, such as stock-broking activities, which require distinct firms with this basic activity. Moreover, the system is still very much characterised by a substantial fragmentation and by market specialisation, by virtue of the large network of branches held by state banks and by virtue of the traditional contracts with enterprises. The Agricultural Bank dominates the crediting of agriculture and of food industry; the Commercial Bank attends the large enterprises. The House for Economies has suffered a considerable depreciation of its monopole position in attracting the deposits of population, but it still holds an important part of these deposits.

Initially, the strategy of the National Bank of Romania was to include the development of the system, and to consolidate the performance of several banks, especially of state banks. During the past years an important emergence of new banks has taken place, and some of these new banks are among the most well-known in the world. Their competitive banking service pack would profoundly affect the standards and the performances of the other banks.

The increase in the number of banks was less explosive than that in other countries in Central and Eastern Europe, due to the prudent authorisation policy of the Central Bank. Looking a posteriori, it can be estimated that this policy has allowed, roughly speaking, the avoidance of major financial crises, the banking system remaining thus relatively solid, in spite of the problems which cannot be neglected.

Thus, in 1996, the situation was as it follows (in 1998 the number of banks has grown to 40):

Table 1.1

Capital type	Nr of Banks	Percent share:		
		Total credits	Total deposits	Total capital
State	5	29	46,4	33,2
Autochthonous state and private	3	48,5	28,2	19,9
Foreign state and private	4	11,3	8	20,3
Autochthonous private	1	5,3	6,1	1,2
Autochthonous and foreign private	9	4,4	6,0	18,6
Foreign private	8	1,3	4,6	1,1
Total	31	100	100	100

The entrance of new banks into the system has led to the increase of competition and has generated the modernisation of the public banks; this modernisation was achieved by introducing both several client-centred policies and the marketing of financial departments. A substantial diversification of the assets and liabilities of public banks has taken place, new banking services have been introduced in order to raise the efficiency of operations (the utilisation of SWIFT network for electronic transfers of payments and returns) and in order to meet with different client demands (payment cards used in Romania and abroad by physical and legal persons, automations payment, certificates of deposit with different short-term dates of maturity, factoring services, corporate banking services).

Simultaneously, a behaviour reform has also taken place; this reform was materialized through the education of the banking community in what concerns the administration of risks, the crediting culture, the code of ethics etc., and through the

education of the third party (authorities, stockholders, clients, journalists etc.).

The involvement of international institutions and of other bodies has contributed to the development of the banking sector. The important technical assistance obtained from F.M.I, the World Bank and PHARE has been extended or financed for building new headquarters, for professional forming, for audit made by the international accountancy firm etc; many central banks have assisted the National Bank of Romania in perfecting its activity. The international assistance has also had a financial character: B.E.R.D. has supported the sector through its participation at the capital ("Ion Tiriac" and "Bucuresti" banks). It has also extended a stand-by loan for "Ion Tiriac" bank, meant to grant long term reliable credits. The World Bank and B.E.R.D have extended the crediting funds (over 150 millions USD) in order to enforce the local ability of banks in satisfying client demands for foreign currency loan.

The intermediating function of commercial banks has been profoundly affected until 1994 due to an inflationist environment and to negative real interests. After 1994, a real development of the banking system is to be noticed.

Starting from 1990, the relation between external assets and external liabilities was favourable to external placements. This relation has changed after 1995 due to the preferences of commercial banks for granting internal credits in foreign currency, which have assured a better fructification than the placement in deposits abroad did.

The deposits of non-banking clients have recorded significant increases, each year, and starting with the year of 1994, they have surpassed the growth rate of prices in economy. This positive evolution represents an important signal concerning the maintenance of confidence in national currency, and, in the same time, a non-inflationist financing resource for the economic growth.

Each year, the size of their funds has increased in absolute figures, being in general superior to the inflation instalment. This comes to confirm the development of the banking system in Romania, reflecting both the foundation of new banking companies and the preoccupation of the

existing banks in improving their capital basis.

It is to be mentioned that, with few exceptions, the maintenance of the high inflation between 1990 and 1998 has had an important influence on the evolution of Romanian banking system. The effect of this situation on the monetary aggregates and on the credit in economy was significant; as it was expected, both the monetary mass in real terms and the credit in economy have compressed themselves. The financial disintermediation and the "dollarization" (payment, cashing and financial deposit in dollars) of the economy have been two phenomena which normally appeared within this context.

4. Perspectives

Seeing that the greatest part of the flow related to the financial intermediating process is taking place in Romania through commercial banks, the banking system represents the main element of the Romanian financial system. Taking into account its importance, the future Romanian banking system has to meet with the conditions of efficiency and competition in order to fulfil its basic functions, i.e. the mobilisation and the allocation of internal economies towards the most profitable equipments, the insurance of transmission mechanisms of monetary policy and the optimal functioning of the payment system.

It is estimated that the achievement of these objectives may be ensured by starting and finalising the following processes, at shortest notice:

- reorganisation of banking portfolios;
- banks recapitalisation;
- privatisation of banks;
- consolidation of the banking system.

Clearing the portfolios from credits is a necessary step, which represents only the beginning of the reorganisation process of these portfolios. The losses are generated by serious structural problems which affect both the economic and the financial systems:

- the high moral risk and the adverse selection manifested by public banks;
- the insufficiency of a legal background which imposes the forced sale of debtors;

- the use of the banking system by the Government in order to achieve several objectives of economic-social order.

The reorganisation of banking portfolios has as consequence the increase of budgetary costs, but once the authorities assume this role, it remains to find the most suitable strategy. In Romania a combination of the decentralised approach has been realised, and this process has to be continued.

Recapitalisation imposes itself in order to cover the risks generated by the active operations, with an adequate capital, guaranteeing the corresponding functioning of banks.

Banks privatisation is the most rapid modality of introducing behavioural and strategic modifications, ensuring thus the independence of banks towards the Government and the public sector. The main condition for initialising privatisation is represented by the improvement of the balance sheet of banks; this requires the reorganisation or the bankruptcy of a certain number of clients. The second condition is represented by the existence of a firm political will.

There are several privatisation strategies which are applicable within the banking system; however, none of them is generally valuable.

The choice of the privatisation strategy and its implementation depend on governmental objectives and on market realities. If the speed is the main objective, then banks have to be included into the mass privatisation programme (Czech Republic, Slovakia). If there are other main objectives (obtaining revenues for the budget, gathering experience and capital, improving managerial culture), then other possibilities are taken into account (selling shares, capital increases through stock issues).

Within this context, the partial privatisation of banks is a very popular concept in Eastern Europe, during the past years. However, a series of technical details may seriously affect the nature of the process and its finality: the nature of investments and the influence of the state.

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The Stock Market

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Abstract

The foundation and the establishment of the stock market express the emergence of the exchange relationships, and of the market as a defining structure of modern economy. The well-known French historian Fernand Brandel states that "the stock market is the last floor of a market, but that of a market which never ends", of a market which includes and dominates the entire economic reality. Once with the acknowledgement of the stock market, the exchange relationships have reached the complete expansion and maturation, and "the market forces" have got the main role in regulating the economic mechanism; the economy has become a market-driven type of economy.

Nevertheless, it was necessary for a long evolutionary process in order to reach this situation, a process in which the material and institutional premises of the stock market have been gradually created.

Key words: stock market, function and role of the stock market, modern economy

J.E.L. classification: H5

1. General meanings

In common Romanian language, the word "bursa", translated into English as "stock market" has two different meanings. The first one, strictly delimited, refers to the scholarship which is granted to pupils and students by the state, institutions or firms; this meaning etymologically originates from the term "purse" (an object in which people were keeping their money during Middle Ages). The second meaning includes a series of semantic variants such as:

- **The market in general**, as the location where trade exchanges are carried out or, more exactly, the aggregate of all transactions regarding goods and stocks. This

meaning is also reflected by the English corresponding term "stock market"; it designs any kind of market, irrespective of the object of the transaction or of its means of functioning;

- **Transactions** of certain categories of goods, services, or stocks and/or the price levels of the respective exchange transactions. From this point of view, there are, for instance, the gold stock market, the foreign currency stock market, the stock market of works of art, and the professional sportsmen stock market;

- **The market**, with a different type existence and functioning means. The syntagm **black market**, for instance, refers to an illicit and "savage" type of market, representing exchange relationships which are against the legal regulations regarding trade actions and deeds.

However, most frequently, the concept designates a market-driven economy institution - the stock market - as an organized form of exchanging goods, stocks, and even several services.

Essentially, the notion refers to the meeting place of merchants and businessmen, i.e. a space where demand and supply are concentrated. This results from the definitions used in economics. Therefore, the Romanian law on exchanges which was passed in 1929 (the well-known Madgearu law) states that: "stock markets are public institutions established for the purpose of reuniting merchants, industrialists, manufacturers, owners and insurers in order to negotiate public and private stocks, currency, foreign currency, goods, manufactured goods, ship renting and different types of risks coverage."

Therefore, the stock market is a market which distinguishes itself from other types of market by means of the objective of its transactions, and by means of its way of organization and functioning.

In a work within the domain of Law, the authors comment that "stock markets are institutions where transferable securities or goods are being negotiated according to a certain procedure, only by certain intermediary agents, and under the supervision of certain authorities".

According to a specialist in financial-monetary issues, the stock market is defined as "one of the typical markets of the market-driven economy countries, where goods, merchandises and fungibles values are being offered and sold according to a special procedure". Here there are several recent dictionary definitions regarding the stock market:

- The Romanian word "bursa", translated in English as "stock market", is derived from the French word "bourse"; this term refers to the periodical reunion where persons carry out financial operations with transferable securities and goods; the term also indicates the place where these persons are reuniting (Robert);

- The stock market (eng. Exchange) is an organised market or a centre for transactions with financial titles or goods (Webster's);

- The stock market is an institution where securities and foreign currency are being negotiated or where goods transactions are taking place (DEX).

2. Historical premises

The historical development of sale-purchase relations has imposed the concentration of exchanges in a well-established location. This means that merchants, bankers, industrialists, intermediary agents, and all persons who were interested in business were being reunited in the same place. At the beginning, this function was being performed by regular markets; however, they have been gradually replaced by the stock market institution.

The first stock markets have been documentarily attested during Middle Ages. The Romanian word "bursa", translated in English as "stock market", originates from the name of the Venetian family "Della Borsa". This family has created at Bruges (Belgium), at the end of the XIVth century, an establishment where different stocks and merchandises were being negotiated: goods

including gold, silver, platinum and also securities.

The stock market from Anvers, founded in 1531, is considered to be the first stock market in terms of the contemporary meaning. The Italian cities (Venice, Genoa, and Florence) have witnessed an early development of stock markets; in fact, these Italian stock markets have been the promoters of the commercial spirit at international scale. However, the real affirmation of the stock market within the trading and the financial world is achieved once with the foundation of stock markets in London (1554, Royal Exchange- founded by one of the pioneers of economic sciences, Thomas Gresham), Amsterdam (1608), Paris (1639) and New York (1817).

The main stock markets are to be found in Europe in cities such as London (Stock Exchange), Paris, Milan, Frankfurt, Munich, in USA- at New York (the two stock markets on Wall Street), and in Japan- in Tokyo.

The beginnings of the commodity exchanges and of stock markets in Romania date from the half of the XIXth century. The first attempts, which have been made in 1839, had no result. A free market for stocks, effects and foreign currency existed in 1860, and bankers and merchants were performing transactions at the "Hanul cu Tei" Inn, using exchange rates based on information from Constantinople and from great western centres.

Starting with "the Law on stock markets, and on goods and exchange intermediaries" (the 1st of June 1881), one can speak about a more solid and serious stock market organisation within the old Romanian kingdom. Thus, on the 1st of December 1882, the Bucharest Stock Market was being opened and, in province, there were functioning stock markets at Iasi, Galati and Braila. Nevertheless, the stock market activity has been influenced by the social and political events of the time: during the 1907 Riot, the currency rate has been marked by regression; the Balcanic War (1912-1913) has led to massive rate losses, which have been recovered afterwards; during the First World War the Stock Market has been closed.

In October 1918, the Stock Market has been reopened and it has witnessed a very intense activity; nevertheless during the Second World War, it has been closed again.

The authoritative and hyper-centralised policy did not allow the development of a capital market; however, after December 1989, the governmental financial policy was focused towards establishing a stock market. Thus, on March 1995, the Bucharest Stock Market has been founded. The activity of the Stock Market runs according to the provisions of the Law nr.52/1994; it aims at creating an organized market for negotiating quota admitted movable assets and public insurance, through the activity of authorized intermediary agents of several systems, mechanisms and adequate procedures for the continuous, ordered, well-balanced, performing transactions with transferable securities.

Bucharest Stock Market represents a very important institution to the Romanian economy, to the businessmen activity and to the public opinion. There is only one certainty: to our country, as well as to the other European countries, the stock market represents the most accurate progress measure which leads towards transition.

3. The Functions and Role of the Stock Market within the Modern Economy

The secondary markets for financial titles (stock markets) can be organized in two main ways:

- ◆ As stock markets (“Bursa de valori” in Romanian, “Bourses” in French)
- ◆ As OTC (“over the counter”) markets, also called negotiation markets

The stock market defines itself through the existence of an institution which disposes of transaction spaces, where the demand and the supply for financial titles are being concentrated and, moreover, where the negotiation, the contracting and the open execution of contracts are taking place according to a familiar regulation. This means of organizing the stock market presupposes the centralization of transactions with financial titles through the agency of a mechanism which provides to the customers the direct and continuous access to market information - in this case, to the market

exchange rate- and which allows the effectuation of stock transactions, exclusively by the means of this mechanism.

Within the tradition of different countries, the two ways – the classical and the modern ones – merge or are used only in electronic transactions. Nevertheless, in all cases, the permanent feature of stock markets is that, essentially, all market information regarding prices and financial operations is centralized in only one location (the negotiation room).

A feature belonging to the last two decades is that the stock market tends to expand itself. Companies have to meet more restrictive requirements if they want to be operated at the quotation; therefore, new stock markets have been created (the market of unquoted shares), where the access is allowed in less limitative conditions. At the same time, the so-called “third markets” have also developed; the shares of young companies can be operated within these markets; these shares are usually established on high profit potential fields but also with high investment risks.

Interdealer or OTC markets have witnessed an important expansion (for instance in USA and Japan); these stock markets allow the access at transactions to a great number of stocks which do not meet the requirements for the quotation at the “proper” stock markets. OTC market is essentially made of connections which are established between dealers, and as well as of connections which are established between these dealers and their clients; thus this type of market has the abstract meaning of an aggregate of transactions. Nowadays, these relations are made by using IT means of processing and transmitting information.

The following table (table 2.1) comparatively presents the traits of the “proper” stock markets and those of the interdealer markets (OTC).

Table 2.1

STOCK MARKETS	OTC MARKETS
1. Localization of transactions, i.e. the existence of a defined space, of a building which should have a negotiation room, exclusively destined to running financial titles transactions	1. Lack of localization, lack of building; transactions are carried out in the offices of financial companies, which thus act "over the counter" (OTC)
2. The direct access on the market is basically allowed to the members of the stock market and to the accepted shares	2. The access is wider, both to customers and shares; there is a great number of market makers
3. The negotiation and the contract execution is made by specialized staff – through different transaction systems based on public auction	3. Transactions are carried out through the negotiation between seller and purchaser; within the transaction, the dealer has the role of an intermediary agent
4. When caring out transactions one has to observe the stock market regulation and also several legally established strict rules; exchange brokers have to respect certain obligations	4. Transactions regulation is less firm and comprehensive; usually it is made by associations of dealers
5. A unique exchange quotation for the negotiated shares is developing owing to the concentration of orders and to the mechanism of transactions	5. Prices can vary from a company to another because they are established by means of isolated negotiations

The stock market, which has the structure of the so-called stock market, of the interdealer markets or of the electronic market, is a constituent of the market of financial titles. Its aims are to concentrate the demand and supply for securities and to carry out transactions in an effective, fair and transparent manner. During the past years, the stock market has entered a new stage of evolution: important measures of modernisation have been taken in the acknowledged stock centres; these measures aim at the increase in transactional efficiency and security. In several third world countries, and, recently, in several central and eastern European countries, the process of creating and enforcing the stock market capital is in full progress.

The stock market, in the broadest sense, acts as a "relay" between the surplus of unused funds and the economic needs, transforming thus the savings into capital. Through this function, the stock market is involved on the primary market, where company shares are being issued, and where compulsory loans are being launched etc, supplying thus the necessary funds for the economic agents.

Nevertheless, its defining role is that of secondary market, allowing the wide public to access the securities which have been already issued. Thus, the stock market ensures the necessary support for the primary market; it also allows the functioning of the mechanism for the economy funding. The dynamism of the economy is directly related to the adequate functioning of the primary market, and consequently, to the possibility of funding the activity of economic agents. Nevertheless, a functioning primary market (a credible and a viable one for the stock holders) requires that the stock holders have the ability to liquidate at any time their shares and to regain the invested sums.

Thus the stock market ensures *the liquidation* of financial assets, offering the possibility of selling the purchased shares, i.e. changing them into currency. The investor disposes of a market on which he is able to change the purchased sales into cash; this is considered a warranty because the cash paid in advanced will be recuperated at their market value.

Therefore, as a financial market, the stock market fulfils the function of a market controller in economy; it operates as a mechanism through which funds are passing from those who dispose of them to those who need these resources in order to finance certain economic activities. Thus the stock market ensures the running in general of the economic circuit and it also fulfils the role of a regulating mechanism for the real economy. In the same time, it is "an engine" of the economic life: it stimulates the business activity and allows the achievement of certain important investment projects, which could not be carried out only by means of the funds of a small group of undertakers.

The stock market has an important role in **the reorientation and the reorganisation** of economic activities. The stock market carries out a redistribution of the funding means in economy, stimulating the branches, the industries and the societies which are in full development.

The stock market activity leads to the development of competition, to the stimulation of **the transactions between corporations**. When considering the stock market a landmark of the business world, one has to take into consideration its imperfections, as economic guidelines. In certain situations, the stock market may reflect an unfounded optimism, a fake promise of income, leading thus to the separation of the stock market trend from the real economic situation, or even to the clear opposition between the financial and the real economy (reflected by the stock market crash). This happens because the tendency of the stock market is influenced not only by rational anticipations, which are fundamental from an economic point of view, but also by subjective factors and reactions. At the same time, when judging the role of the stock market in the financial-economic life, one cannot ignore the importance of the consequences of a very intense stock market activity, and the risk of certain uncontrollable speculations, which can lead to stock market panic and even to crash.

4. The Organisation and the Functioning of the Stock Market

The financial transactions on the stock market are running according to a very well established system of organisation, both regarding the place and the role of participants and the manner in which transactions are being carried out.

The exchange brokers are responsible for the quotations which are running on the stock market; they also ensure the financial administration of the portfolios of transferable securities, in the account of their clients. From the point of view of his professional statute, the exchange broker is a dealer. At the same time, he is a civil servant; he is solidary with his colleagues, and responsible together with them in case of failure on the stock market. Like any other dealer, the exchange broker has to be subscribed to the register of companies.

Security purchasers and sellers, such as companies, banks and natural persons, do not have direct access on the stock market, although they are generating the demand and the supply for shares; they can access the stock market only through the exchange brokers. The exchange brokers are of two types:

- **Agent brokers** are those exchange brokers who act in the name of their clients. They have the role of intermediaries because they receive the sale-purchase order from their clients and they transmit these orders to "specialist" brokers. Agent brokers permanently communicate to their clients the exchange rate of the securities which are being negotiated and they also inform them about the order execution.

- **"Specialist" brokers** are those exchange brokers who are centralising the sale-purchase orders and negotiate the orders which are received from the agent brokers. Although they have different names, such as "jobbers" in Great Britain, "courtiers" in France or "dealers" in USA, their role is the same within all stock markets. They participate at the establishment of the exchange rates, execute the sale-purchase orders, and administrate their own portfolio of securities. As a dealer, the "specialist" broker has to ensure stability and continuity to transactions. Therefore, he has his own

portfolio of shares and bonds, and his own currency funds, which he uses only in order to maintain the stability of the shares which he negotiates.

The exchange brokers can be reunited in a Society of Brokers, whose activity is coordinated and administrated by the Syndical Chamber of Stock-Brokers. The Syndical Chamber, who is responsible for the organisation and the functioning of the stock market, collectively represents all the members of the Society of Brokers; it controls the exchange activity of transferable securities, the regularity of the financial operations, and their solvability degree; it establishes the rules according to which each exchange broker is setting up the results account, and it also establishes the precaution measures which it considers to be necessary; it interdicts the access on the stock market, it suspends or revokes the quality of exchange broker.

The activity of the Syndical Chamber is coordinated by a Chairman (the stock market syndic) and by a vice-chairman, who are elected by the general assembly of the Society of Brokers, on a limited period.

The Syndical Chamber disposes of functional services and of its own budget. As an authority of the Society of Brokers, it has at its disposition a service of foreign relations and a staff service, a juridical and fiscal service, a treasury and accountancy service, and an electronic centre of information processing.

As a distinct body within the Syndical Chamber, there is the Commission of Stock Transactions (in Romanian COB) which regulates the way in which transactions are running, and which informs the public over the stock market mechanisms. For this reason COB publishes a The Stock Official Bulletin.

COB supervises the observance of laws and regulations established by the public authority; it informs the holders of transferable securities on the societies which put deeds into circulation, on the transferable securities which are issued by these companies, and on their negotiation on the stock market; it controls the means of respecting the bonds which have been made by the participants at these transactions; it gives its verdict on the insertion or on the erasing of certain transferable securities from the official quotation; it has the role of a

court, next to the public and to the government, and it has the duty of solving certain demands and complaints related to stock market transactions; it makes an annual report on the stock market activity and it publishes it in the Official Gazette of Romania.

Within the organisational structure of the stock market, the clearing house (of compensation) has an extremely important role; it guarantees the execution of the bonds which have been assumed by the partners. Through the clearing house all transactions which have been concluded during a stock market day being are balanced. The purchasers have the warranty that they will receive their shares and the sellers have the certainty that they will receive the exchange value of the sold shares.

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Tourism Development Activities in the European Economy and the Influences of the Actual Crises

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Abstract

This approach has amply analyses the influence of the current crisis in development of the tourism sector.

The study was justified by the fact that this field has greatly expanded over the past 50 years in the EU country. Tourism is a sector noted that an important contribution to GDP and employment.

In the study are highlighted issues relating to the way of tourism development in the sub-branches in recent decades. Special emphasis is placed on the analysis of international tourism, which was affected most by the current crisis.

The study examines the evolution of some important indicators of tourist activity and identifying the main causes that contributed to the trends outlined manifestation. Although, the nature of risk factors in tourism has received little attention restricted to collateral and unilateral treatment.

Key words: anti-crisis measures, tourism development, sustainable recovery

J.E.L. classification: M16, P5

1. Introduction

With the intensification of the globalization process had emphasized the concerns of all countries to ensure a more favorable position in the European and international tourist market. In the scientific research in the field of tourism economy, expanding phenomenon of globalization in tourism has occurred with the development of the doctrine of the new economy. According to Hans van der Loo this development meant moving away from the primacy of development services (included in the product package tour) to that of feelings,

and experiences. Therefore the value of tourism products is no longer seen as being exclusively linked to the efforts of the manufacturer, of the offertory to the consumer but also to the tourist. This value to the consumer or depends on how to manage his feelings, sensations felt in the defined by time and after travel consumption, entertainment actions. For developed countries, the model experience is extended by including as ingredients and feelings, relationships established with the tourist economy, the authenticity and the degree of customization of tourist products [2]. This approach stresses that tourism development is less affected by cyclical economic fluctuations than other areas.

2. The influence of the current crisis on the contribution of tourism to the P.I.B and employment at European level

In economic practice in the field of tourism, the European countries efforts were focused on both the growth indicators which reflect the economic performance and on the implementation of a modern tourist management.

More than human resources and the technique itself, the strategy by which a company decides to organize themselves, constitute a decisive factor in securing a dominant position on a particular market.

In the last two decades, the development of tourist activities had a sinus, mostly ascending trend until the 2000s followed by a downward trend. Thus, the growth rates they recorded the largest values in the 2000s, as part of the main developed countries E u. (Austria, France, Germany, Italy, Spain) and then have had a mostly downward, culminating in the 2005-2007, which were at the time of crisis [3]. An exception to this evolution of Greece, in which registered the

highest growth rate was recorded in 1995.
(table 1)

*Table 1. The evolution of the real growth rate of the contribution of tourism to the P.I.B **

Country	2000	2005	2010	2011**
Austria	15,6	-2,5	-2,3	2,4
Bulgaria	29,6	3,9	0,2	2,0
France	9,0	-3,6	-1,7	0,5
Germany	12,1	-2,0	0,0	0,5
Greece	8,8	7,2	0,0	2,6
Italy	16,7	-2,1	0,5	3,0
Romania	3,8	5,8	-1,9	6,1
Spain	13,4	5,2	-3,5	1,1
U.K	7,1	0,2	-0,3	0,9

*1988=100; **estimated

Source: World Travel&Torism Council, on-line at:

http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/

In Romania, real growth rates have been in a decline in the first decade, and the second recorded small fluctuations amid a general downward trend. As late as 2011 it is estimated that there will be a recovery, the real growth rates have been estimated at 6.1%. The last five years recorded negative rates, amid the economic crisis and the fall in population incomes. Although the process of globalization has opened new possibilities for accessing European funds for development and access to European markets, strategies and measures applied were not appropriate and consequently not culminated with the achievement of growth rates similar to those achieved by developed European countries.

In the period 1990-2000, an ascending evolution has occurred in relation to the direct contribution of tourism to the P.I.B, the highest rate of direct contribution to the P.I.B passed in 2000. In the last decade, the direct contribution to the P.I.B had the lowest rate of real growth in 2005. (table 2)

*Table 2. The evolution of the real rate of growth of the direct contribution of tourism to the P.I.B **

Country	1990	2000	2005	2010
Austria	2,0	11,9	0,6	-2,0
Bulgaria	26,5	29,4	-1,7	4,7
France	0,7	8,7	-1,5	1,0
Germany	-4,9	14,1	0,3	1,5
Greece	-3,5	7,2	10,9	1,0
Italy	-3,6	16,8	-1,5	1,3
Romania	-16,4	10,4	37,8	2,1
Spain	-6,0	12,1	3,2	0,7
U.K	3,4	7,5	-2,3	3,2

*1989=100

Source: World Travel&Torism Council, on-line at:

http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/

Can be seen from the table that was being established in the year 2010 for the development of a sustainable recovery in most of the countries of the European tourism. In Romania under the impact of the current crisis being established a huge gap between the years 2005 and 2010, which marks a dramatic shrinking of the direct contribution of tourism to G.D.P.

In most European countries, tourism has had an important contribution to employment. The direct contribution of tourism on employment estimated by means of real growth rates was more significant in 2000 developed in most European countries. (table 3)

*Table 3. Real growth rate of the contribution of tourism to employment **

Country	1990	2000	2005	2010
Austria	-0,6	9,0	2,2	-4,2
Bulgaria	55,9	8,9	-6,1	1,0
France	-1,0	7,5	-2,3	-1,9
Germany	-2,9	10,7	0,6	-2,1
Greece	-0,6	1,3	8,6	1,2
Italy	-1,9	16,0	0,2	-0,9
Romania	-9,4	7,0	28,3	2,3
Spain	-7,6	11,1	6,7	-1,7
UK	2,2	5,2	-1,6	1,4

*1989=100

Source: World Travel&Torism Council, on-line at:

http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/

Labor productivity in the tourism industry has been differentiated in terms of trends, increasing peak attained in most European countries developed. The highest labor productivity index values have been reached in Belgium (497,2 in 2004), France (335,5), Austria (273), UK (244,1). This trend is the result of an increased contribution of tourism to the GDP of these countries and the growth of employment in the tourism sector to a lesser extent than the rise of wages [4]. Labor productivity growth is the result of the intensive, thus encouraging factors in European countries it has occurred and thanks to measures taken for the purposes of replacement technologies used, a change in legislation and promoting the social component in the direction of implementation strategies, issues that should be taken into account by decision-makers and managers of our country. All these actions were conducted within the framework of an efficient strategy, therefore a differentiated process of specialization within the tourism industry. Thanks to these measures in the developed European countries, the branches of the tourism industry were less influenced by the negative effects of the current crisis

3. Improvement of the negative effects of the crisis in countries specializing in the tourism industry on the branches based on infrastructure and communications, equipped with a highly technical and technological

Developed within the framework of the European countries have outlined a series of favorable development trend of tourist business intensive:

a. Specializing in branches based on infrastructure and communications, equipped with highly technical and technological developments. Compared with the industrial concentration of capital in international tourism in the tourist infrastructure has been very rapid. Hotel chains, cruise companies have experienced a sharp development Transport logistics itself had organized by global and development structures. The practice of tourism destinations has appeared which offered chance escape from daily life, demarcating increasingly more road construction business destinations, equipped

with a special utility infrastructure. Even if the destination is at a great distance by the issuing it is added to the many forms of incentive, by integrating the tourist in studies specific to the local population and local events. With the emergence of this feature over the past decade included the hospitality industry. 4000000 hotels and 8 million restaurants, on which millions of employees 67,4 producing 1280 billion of the world's GDP, which is about. 9% of employment and about. 12% of world GDP.

b. Growth of the business sector contribution and rentals. This development was carried out in line with the strategic development of the service industry. The development of services sector in E.U countries did not follow a chaotic evolution, by extending the process of globalization. It must be noted in this process of specialization tendency of developed countries in certain branches of business and professional services, and in some tourist industry's business. Branches of services are the most important stakes of the battle which goes to gain a dominant position in the division of labor in the world, due to the dominant share of services in world trade, the P.I.B and employed population. Development of business and professional services is the result of intensified global competition and a "process of outsourcing the production of services" [5].

c. Labour productivity growth in the hospitality sector branches. The trend has been due to intensive measures to modernize the hotel, while respecting the traditional style, or promoting the avant-garde style. The provision of quality services, the customer tourist to feel "King" is the result of the application of marketing strategies and rigorous quality but also of a policy of specific staff. Maintaining optimal staff rules serving not meant a reduction in productivity but rather, performing a service that allowed the winning of a growing market share in the long term. Branch "hospitality have about 68 million employees i.e. 2,6% of the total employees generating a positive multiplier effect directly to c. 195 million jobs (7.6% of the total).

4. Decrease in investments in the tourism sector during the current crisis

The actual rates of increase in capital employed, compared with 1989 there have been positive, in particular, between the years 1990-2000. The scope of the crisis triggered in 2007, the rate of growth of capital invested in 2010 are mostly negative, but in the future a recovery and so by default it will return to trend growth of the capital invested in this sector. [6]

Globalization and actual crisis marked a differentiation of countries in terms of arrivals of tourists. Countries that recorded the highest number of arrivals had and the greatest revenue. Money with leaving a tourist are an import for the country of origin, representing an expenditure and therefore the export to the country of destination. In the incoming component trips is higher than that of outgoing.

One of the positive trends and our country has lined up refers to increasing the number of nights spent by tourist destination countries. The trend has occurred as a result of the increase in tourism of stay, number of visitors who have turned to the services of travel agents being considerably larger than tourists in transit.

W.T.T estimates for 2020 outlines several major trends within the globalization in tourism:

- The passage of China's first places in terms of the "arrivals";
- Reviving Russia, Poland, Hungary, the Czech Republic and Asians country.
- The incoming component remain higher than that of outgoing in developed countries.
- In developing countries, domestic exports, made of arrivals of tourists coming from the developed countries will be lower than the outgoing component.[6]

Estimates give the continuation of the trend of the domination of the capitalist countries the tourism developed with great potential.

5. Conclusions

Accordingly, in the current configuration of the European tourist activities with developed countries dominate the contents in the value added, investing in infrastructure, telecommunications, business services, while some countries are still lagging behind oriented tasks with the lowest value added, which occupies roughly cut in global tourism. In this way tourism to the developed countries was less exposed to the adverse effects of the crisis. The increasing benefits of globalization are possible only through the shaping of such structures in the tourist sector has focused on the activities of the most competitive and for which Romania has a good potential. Issues considered should constitute at the same time the fundamental points of reflection for the development in the future of appropriate strategies for tourism in our country.

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The Benefits of Industrial Agglomerations in a Prolonged Economic Crisis

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Abstract

The international economic crisis that started in late 2007 and perpetuated until 2011, has conducted to new interests in the connection between the impact of worldwide recession and the possible remedies offered by industrial agglomerations for contrasting this powerful virus that global economy is coping with. To shed a light on this question, industrial agglomerations permit companies to become more innovative and consequently more productive by developing unique knowledge and abilities difficult to be replicated. In this way, the agglomerations contribute to the competitive advantage of the areas where they are located, and this value chain seems to be similar even in the case of a prolonged economic recession.

Therefore, the purpose of this paper is to explore the behavior of the firms inside industrial agglomerations in the context of an extended financial crisis, focusing on several cases from Europe and finally to examine in what proportion the benefits of agglomerations are crucial for a prompt recovery from this worldwide economic collapse.

Key words: industrial agglomerations, economic crisis, coping solutions.

J.E.L. classifications: R10, R11

1. Introduction

The actual prolonged recession the world economy is traversing since the end of 2007 has mainly generated a profound lack of trust which appears to have contaminated practically all sectors of global economy. As long as, in general, economic crises install a high degree of instability and uncertainty that

might determine companies to collapse, industrial agglomerations seem without question to be “happy islands” [1]. Thus, if we look back to the nucleus of agglomeration, it includes various antidotes for confronting this acute illness the worldwide economy is forced to endure, offering a real hope for a quick and solid rehabilitation. The fact that a lot of industries are geographically clustered in a certain region gives the essential evidence for the existence of external economies of scale that stimulate companies to locate in the proximity of others and function as an unified organism. Agglomeration economies appear when pools of specialized skills, intense interactions among local suppliers and customers, shared infrastructure and many other localized externalities reduce the costs and major the returns of the firms involved in the local exchange and thus generate growth and other benefits. Additionally, besides these scale economies, synergies of cooperation may also be enjoyed by agglomerations members through the medium of three important elements: access to developed labor market, solid supplier background and finally the favorable circumstances of quick knowledge and information transfer among companies [2].

Considering these, the main goal of this paper is to point out the fact that the present extended recession might signifies a fertile environment for new opportunities and solutions advanced by industrial agglomerations through adaptation to the new economic context. Thus, the structure of this work is organised as follows. Section 2 disentangles the relevance of industrial agglomerations for coping with a prolonged economic crisis. Section 3 focuses on benefits of agglomerations during a recession. Section 4 presents several cases of European industrial agglomerations to

observe their behaviour in this critical period. Finally, section 5 draws conclusions and highlights the potential of these agglomerations to contrast the negative effects of the economic crisis.

2. The relevance of industrial agglomerations for coping with economic crisis

Without any doubt, every economic recession creates chaos, confusion, panic and eventually an environmental instability. For this reason, national governments are profoundly preoccupied with discovering solutions to avoid collapse of economies and global financial systems. At the same time, there is also high awareness of the importance of a collaborative behavior among firms. In this sense, the next section aims to reveal the significance of the interreaction and closely cooperation that characterize an industrial agglomeration, all these interrelationships being vital for facing a major economic downturn.

First of all, industrial agglomerations are defined as spatial concentrations of interrelated enterprises, specialized suppliers and other institutions, that establishing and maintaining intense connections, generates growth in the regions in which they operate [3]. Generally speaking, firms cooperate to handle turbulent environments, to get access to new resources and markets, to diminish risks and control costs [4]. Collaboration among firms is frequently seen as an intentional response by enterprises to cope with insecure and changeable environments. For this particular reason, the principal motivation for alliance formation is convulsions in environmental conditions that point out company internal resource inadverencies. High economic uncertainty and rapid technological modifications tend to appear at the same time and become jointly strong drivers for cooperative behavior of firms. Resource dependence, new information, risk limitation and access to market serve as company-internal motivations for establishing partnerships with other firms. Especially in cases of environmental uncertainty (due to economic collapse, for instance) enterprises are notably disposed to cooperate as a modality to

manage uncertainty. Moreover, a broad framework that enlighten why firms build collaborative relationships is interdependence. Thus, "interdependence exists whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action" [5]. As long as companies are not self-sufficient, they are consequently obliged to rely on the environment to procure support and involve in exchanges with other groups of firms for needed resources. By forming linkages with other enterprises in the environment, in this way they are able to provide required resources and diminish uncertainty. Creating ties among companies represents a solid way for firms to try to handle this uncertainty by assuring needed resources, conceive stability in supply and become more competitive. Moreover, it must be stressed out that vital resources such as specific competences and specialized vendors are obtainable through forming connections with others, these ties being created only inside industrial agglomerations.

Considering these, it is expected agglomerations to be relevant for coping with this economic crisis because cooperation among members reduces uncertainty and ensures access to scarce resources.

3. The advantages of industrial agglomerations during an economic recession

Industrial agglomerations are not certainly the central figures of the actual financial crisis, but they seem to constitute by far secure shelters. Even if we are referring to industrial activities or not, agglomerations are also touched by the negative repercussions of this economic recession. This aspect is particularly visible if we take a closer look at the general decline in consumption at world level and at the deficit of trust that appears to influence almost all sectors of global economy. Nevertheless, if we return to the essence of industrial agglomerations, it exposes several valid arguments why spatial concentrations of firms are favored in times of economic collapse.

Primarily, industrial agglomerations allow inside firms to become more productive and more innovative compared to the case when they activate isolated. In this manner, they can develop new knowledge and skills mixture which can hardly be replicated. Therefore, firms enter into informal and formal networks of knowledge share and create complex modes of collaboration among them. Hence, agglomerations permit the companies, states and regions in which they function to create sustainable competitive advantages and even to develop in spite of the overall recession.

Moreover, as we have already said before, this prolonged crisis has generated a powerful lack of trust that seems to be extremely destructed for almost all the economic actors. But this is not the case when we are referring to industrial agglomerations environment because inside these alliances trust is vital. However, it does not signifies that every member undoubtedly trust one each other, this would be a too perfect world. Still, in a such partnership, information and knowledge share, including also the tacit knowledge, circulate in a more efficace way which permits all agglomerations agents to respond quicker and, finally, to correct those who violated certain business rules. This represents an alternative modality of putting trust into practice.

Furthermore, industrial agglomerations represent a powerful potential for regeneration. Since the creation of new business is much easier than for those firms operating in isolation, agglomerations can better react to the crisis and recover faster offering regeneration and fresh ideas to old business models. In this sense, an economic crisis marks the „begginig of the end” of an ancient techno-industrial paradigm [6]. Eventually, the economic recession symbolizes both destruction of an established paradigm and new opportunies and new solutions through readaptation to novel contexts. To be more precisely, the entire world is confronting with a so called creative destruction [7].

Additionally, crisis frequently generates opportunities inside: “wej-ji”, the chinese term referring to this concept is formed out of two ideograms representing “danger” and “challenge/opportunity”. For instance,

automobile manufacturers specialized in small size cars, often neglected in the past because they were evaluated with lower added value, are nowadays considered the most dynamic actors of this industry strongly touched by the actual crisis. Thus, within an industrial agglomeration, small businesses tranform their principal disadvantage – the fact of being small, into a source of competiveness, giving their flexibility and faster response to the new market demands.

In a nutshell, it is essential to understand that all these benefits of industrial agglomerations presented above do not serve as magic formulas for succeeding this prolonged crisis but focusing on agglomeration basic strenghts represents a step forward in overcoming this major economic downturn.

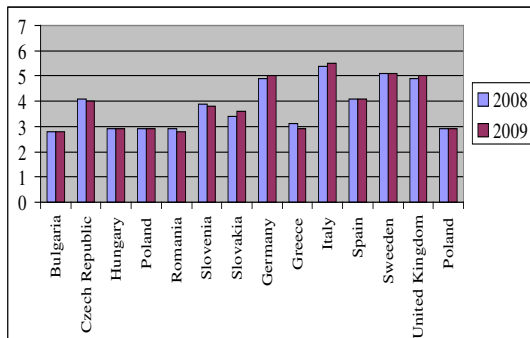
4. European experience

Despite this extended economic crisis which has strongly affected a lot of European countries, many of these states have been able to show hopeful signs of recovery based also on increasing competitiveness of certain industries clustered into agglomerations. In Europe, industrial agglomerations capitalized traditional activities of all regions and hence manage to preserve and improve ancestral knowledge and skills: stainless steel in Solingen, fashion industry in Milano, financial services in London, Danish cheese, Dutch glass and so on. Generally, these advantages emanate from the abounding natural resources of the regions, like in the case of Spanish and French wineries, the Polish coal industry, the Slovenian spa resorts and the rest.

European industrial agglomerations differ in intensity of the interactions among the businesses. In this sense, it is important to understand that only spatial proximity is not sufficient [3]. It turns into competitive advantage only if it covers the specialized suppliers, developed work force and if the process requires profound linkages among the firms. In European countries, the regional competitiveness is build upon the creativity of the agents in the agglomerations, the capacity for innovativeness and strong collaborative relations between these alliances.

In recent years, a lot of observers have speculated on the evolution of industrial agglomerations in Europe. First of all, these spatial concentrations are dominated by small or medium-sized companies. Secondly, most of the agglomerations serve global markets, not just Europe. Also, it is important to emphasize that in an increasing numbers of agglomerations, multinational companies are present, unquestionably using these European locations as export platforms. Thirdly, advanced activities are available in many of these concentrations of firms while standard production activities are increasingly being outsourced to different locations [8]. This position as innovation centers is in line with the role of European agglomerations to overcome this global economic crisis. In this sense, the Global Competitiveness Report provides annually comparative data on overall agglomeration strength for 140 countries including all European countries. This survey presents also the state of agglomeration development. Thus, in the graphic below it can be noticed the development trend of some European agglomerations in this period of economic recession.

Graphic 1: State of agglomeration development



Note: 1-nonexistent;7-widespread in many fields

Source: Global Competitiveness Report 2008-2009 and 2009-2010

As we can easily observe, the majority of these European countries have continued to develop their industrial agglomerations even when the crisis got its climax in 2009. This aspect confirms that these spatial concentrations dispose of powerful assets that help them to succeed the recession.

Clearly, special cases are Italy, Sweden, Germany and United Kingdom which have been able to obtain very high scores on agglomeration development, values that have ascended during 2008-2010 from 4,9 to 5,0 in United Kingdom and, pleasingly, from 5,4 to 5,5 in Italy. Countries that on the contrary have obtained descending scores are Greece, Romania and France, here the recession's effects being more serious compared to other states.

To sum up, analyzing the structure and the development of some European industrial agglomerations, it seems very clear that these concentrations dispose of unique features that allow them to grow and contribute to the competitive advantage of the regions where they operate even in times of a prolonged crisis.

5. Conclusions

In this paper, we have explored the virtues of industrial agglomerations in general and the evolution of several European industrial agglomerations in particular with the final goal to observe the behavior of the members of these conglomerations during this extended crisis the worldwide is going through. After a careful analysis, it seems that the benefits of being part of an agglomeration are vital not only for survival but even for a further relative growth despite the prolonged crisis, all these due to the complex and strong interrelationships among companies. In this way, industrial agglomerations conduct to higher efficiency and effectiveness through the availability of specialized skills, agile vendors and most of all a concentration of key customers. Also, the prompt dissemination of both formal and informal knowledge and the permanent interactions with the customers create constantly new ideas and pressure for more innovation, since the agglomeration environment lowers the costs of business experimentation, in the end taking advantage of the economies of scale.

Considering these, in general, the conclusion drawn from this analysis is that industrial agglomerations seem to diminish risk and stimulate the innovative spirit during situations of environmental turbulence such as this extended crisis. Nevertheless, to perceive industrial agglomerations as a

panacea for the attainment of overcoming this recession is relatively risky. As always, there are not shortcuts or abracadabra tricks for succeeding this major economic downturn but focusing on agglomeration basic assets and applying them to other distinctive skills of agglomerations, is definitely a big step in the right direction.

6. Acknowledgement

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The Mutations of Public Utilities Provided by Public Indebtedness in the Economic Downturn

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Abstract

In this paper we try to draw a possible trajectory of the public utilities supply, taking in consideration actual economic recession correlate with the evolution of public indebtedness which is intended to finance public expenditures. We assume that in order to provide competitive and high quality public goods and services, governments need to change the policy regarding public provision of utilities in order to ensure efficiency and avoid public financial resources waste. One of viable solution is the transfer the provision from state-owned companies to private-owned ones, of course correlated with a simultaneously process of regulation to create a precise legal framework to ensure a broad access to public goods and services offered to citizens.

Key words: Public debt, public utilities, economic recession, public indebtedness.

J.E.L. classification: H4, H50, H68.

1. Introduction

Government in most of the developing countries cannot sustain economic growth without borrowing in order to finance the technology gains and capital deepening that will ensure economic growth in long term. With this choice to finance public spending comes high levels of debt which are increasingly accused of deleterious effects on economic development, in what appears to be an revival of a 20-year old debate on the virtues of debt relief.

In this paper we take in consideration the notion of debt accumulation that are debated in two different categories of theories. First categories of theories are based on multiple equilibrium, where investment endogenously

collapses beyond a certain level of indebtedness in preparation for default and in order to minimize penalty payments, exogenously assumed to equal a fixed proportion of output.

Second categories of theories are assuming where the nature and terms of optimal debt contract are affected by the level of existing indebtedness. As debt level rise, it becomes increasingly difficult and eventually impossible, for a creditor with imperfect monitoring technology to illicit effort on the part of the debtor. The borrowing economy then loses all incentives to implement policies that are painful in the short-term but beneficial in the long run.

Modigliani in his debate over public debt sustain that public spending financed through public indebtedness can affect economic growth into the future (long term) if public spending affect at least one of the above conditions: if this spending affect the natural resources available to the future; second condition is that public spending improve technological knowledge and the third if these spending affect the stock of man-made means of production, or capital, available to future generations.

In order to ensure the sustainability of public debt, public debt policy has to be a tight one. In case of a slow and modest economic growth combined with a deteriorated fiscal situation, and after a deep and prolonged period of recession the results can be seen firstly on the national income evolution, which in most cases is an negative one, and implicitly tax revenues do not increase comparing with continuously rising government spending due to social pressures like: unemployment, social funds, other welfare expenditures, that are causing every time large budget deficits.

The concern for sustainability of fiscal deficits and public debt sustainability should be a key problem that would lead public

spending policy and the supply of public utilities.

The main question is about: Can large deficit be sustained? How much public debt can a government afford in order to maintain the sustainability threshold? Is there a possibility that in the long run the system will be paralyzed if public finance collapses under the weight of massive deficit?

If the Ponzi gamble is not respected, and the mechanism became an unsustainable one, the government will eventually go to default, in other words it will be unable to collect enough tax revenues to finance public spending and debt repayment. In situation when public loans crowd-out private capital, the economy will go bankrupt if the mechanism of financing public deficits through public loans fails.

From this statement we can emphasize the importance and the long run effects of government austerity. For the example of situation when government is forced to go default. In such situation of public sector bankruptcy, austerity measures are required and fiscal policy has to be responsive. The use and efficiency of austerity measures can be operated only if the private sector can sustain and can respond proper to the budget constraints. The application of the austerity program proposed by the government depends critically by the response of private sector and the accumulation of capital.

In situation of default, government have two main solution to act, either they cut spending or either they increase taxation.

The effect of public spending in the production of market goods can be exemplified by the services provided by the judicial and police systems that enforce laws and contracts and have an external effect on the market transactions. Public spending as an input in the human capital production function consists of the supply of services (such as public education) that directly contribute to the accumulation of the human capital.

2. Public indebtedness and the provision of public utilities

In time of economic recession, when consumption decreases, and production falls, implicitly the unemployment rise and the pressures on the public budget are higher,

public spending need to increase in situation where tax revenues are shrinking, the optimal provision of public utilities becomes a basic requirement in order to ensure public finance sustainability and long-term growth.

The rationale of the optimal supply of public utilities can be placed in a simple classic framework where if the benefits of productive efficiency outweighs the cost of allocation inefficiency, then the society will have a welfare gain from maintaining the natural monopoly organization of a public utility.

In other words, we can say that if the benefits or the advantages obtained from the supply of public utilities is greater than the public spending incurred in their financing, we can assume in this case that are efficiently provided and public spending are productive in the sense that they produce added value.

Supposing that an important part of the public spending are financed through public loans, the efficiency of the public utilities is the basic condition in order to sustain public debt burden and fully repayment at maturity.

Reinhart and Rogoff (2010) sustain that in a period of depression even in countries that have not experienced major financial crisis, debt rose an average of about 20 percent in real terms between 2007-2009. This general rise in public indebtedness stand in contrast with 2003-2006 period of public deleveraging in many countries and owes to direct bail-out costs in some countries, the adoption of stimulus packages to deal with the global recession in many countries, and market declines in government revenues that have hit advanced and emerging markets economies alike.

Their's main findings are that across both advanced and emerging countries, high debt to GDP levels (90%) are associated with notably lower growth outcomes. In addition for the emerging markets there are an even smaller threshold for external public debt to GDP (60%), this is also associated with adverse out comes for growth. Seldom do countries simply "grow" the way out of deep debt burdens.

J.M. Buchanan in his paper "Public Principles of Public Debt" sustain that public debt issue has normally been conceived as appropriate only for the financing of genuine public investment. The classic consider that access to debt issue might lead to

irresponsible spending decisions on the part of legislative assemblies and executions.

The main reason why public expenditures must be financed through taxation is because from the public expenditures benefit current generations, the benefit principle suggest that they should be financed wholly from tax revenues. But if public spending are anticipated to yield income in future time periods, future generations will receive the a significant part of these benefits. Therefore, a part of this real costs should be placed on future taxpayers, and this is accomplished through the financing of the spending by debt rather than taxation.

The answer given by James Buchanan for the question: When should the government borrow? – is that is should borrow only to finance long-term or capital investment projects which are expected to yield benefits over future time periods.

An very important statement made by the author is that "it becomes essential that some method of financing the debt service and amortization be adopted at the time of the initial decision. It is the height of folly to allow individuals to choose a bond issue to finance a long-term project with in corresponding means of paying the service charges".

A future tax obligations can be impressed upon the individual behavior pattern only if it is institutionalized in a specific tax schedule. The sustainability of public debt and fiscal policy lies in the earmarking of some revenue source for debt service at the time in which debt is created.

Another situation of the insurance of public debt is that public loans should be used to finance self-liquidating projects, meaning by this projects which will directly yield to the government a money return sufficient to service and to amortize the debt. If a project is self-liquidating, then sufficient funds are earmarked for debt service from the start.

Greiner (2004) sustain that the decline of public investment as a result of rising public debt is not too surprising. The government collect revenues in order to finance public spending. Public spending can be separated in two important categories: productive spending (investment, subventions seen as incentives to economic recovery which will produce added value in future) and final or

unproductive public spending (wages, bills). When a economy experience a period of recession, characterized through massive decline of revenues collected at the public budget, implicitly governments must decrease public spending. Regarding the two categories, productive spending like investment tend to decrease more than unproductive public spending mostly because of their current and immediate need.

In these condition characterized by lack of financial resources, governments are forced to borrow either from domestic or foreign markets in order to cover urgent expenses like: salaries, maintenance bills, pensions, scholarships, allowances, social benefits, etc., and to lesser extent in covering public investment expenditure in social infrastructure.

Hence the opposite effect of public public indebtedness, once governments caught inside this vicious cycle of continuous borrowing to cover final public spending (unproductive), against to public investment expenditures which are repeatedly reduced and ultimately excluded, as a consequence of public debt accumulation and continuous spending this time with debt burden: interest, fees and repayments required to be paid at maturity.

Greiner affirmation can be proven when governments face economic downturn and enter in the first year of first installment due to be reimbursed. In this case occurs the transfer or deviation effect allocation of public budget resources, where a large part of financial resources is intended to cover public debt expenditures, leading it increasingly less and less room for productive expenditures, in cases of excessive public indebtedness to removal of public investment and to even sensible cuts in terms of health, education public, social protection expenditures due to massive appeal to uncontrolled public loans.

For the example taking in consideration actual economic downturn that started in 2008, if we analyze the economic evolution of Romania, as a developing country, against a characterization as a "low indebted country", the evolution of public indebtedness has reached a level that threatening the debt sustainability in condition when economic growth is negative.

If we compare the changes in economic growth level and the public indebtedness, we can observe a negative increase comparing with a growing level of public debt. In this case of growing public debt, decreasing economic growth, even if Romania is characterized as a low indebted country, the actual trend is fiscal unsustainable one. Implicitly if this trend of continuously indebtedness is maintained, the risks of excessive indebtedness are inevitable.

*Table 1. Public debt burden and budget deficit evolution in Romania 2005-2010
(% of GDP)*

Public budget	2005	2006
Public revenues	29,2	29,3
Public spendings	32,2	32,3
Public debt interest	2,2	2,1
Budget deficit	3,0	3,0

Source: NBR.

Excessive public indebtedness correlated with unsustainable fiscal policy open two simultaneous actions: first one of public budget austerity, where government needs to cut spending in order to finance public debt interest and public debt repayment at maturity and second action is given by the lack of financial resources, where governments usually choose to debt rollover, in other words governments borrow to finance the repayment of already existent stock of debt and not to finance public investment expenditures. From here, the supply of public utilities becomes shortened and insufficiently financed, lacking of financial resources the public goods and services provided by the government are less competitive and low quality. In table below we can see that the expenditures with public debt interest have an important percentage of total public expenditures, in 2010 4,7% of GDP represents interest paid by romanian government in comparing with 2006 where public debt interest were only 2,1 % of GDP.

Table 2. Evolution of macroeconomic indicators in Romania between 2007-2008

	2007		2008	
U.M.	Milioane Lei (RON)	% GDP	Mil. Lei	% GDP
GDP Evolution	366422.8	6.3	446578.3	7.3
Public revenues total	140201.3	33.7	167636.1	32.6
Public expenditures total	151136.5	36.3	197150.9	38.3
Budget deficit	-10935.2	-2.6	-29514.8	-5.7
Consolidated public debt	52417.1	12.6	68849.2	13.4
Change in public debt	9831.9	2.4	16432.2	3.2
Interest	3103.8	0.7	3613.7	0.7

Source: Eurostat.

Table 3. Evolution of macroeconomic indicators in Romania between 2009-2010

	2009		2010	
U.M.	Mil. Lei	% GDP	Mil. Lei	% GDP
GDP Evolution	478267.6	-7.1	491699.9	-1.3
Public revenues total	159684.7	32.1	176383.9	34.3
Public expenditures total	202124.2	40.6	209458.3	40.8
Budget deficit	-42439.5	-8.5	-33074.4	-6.4
Consolidated public debt	117293.8	23.6	158005.0	30.8
Change in public debt	48444.6	9.7	40711.1	7.9
Interest	7636.4	1.5	7994.0	1.6

Source: Eurostat.

As can be seen in third table, in context of economic downturn, the rate of public indebtedness is increasing in comparing with economic growth which is an negative one. This means that the sustainability of public debt is threatened in terms of revenues that are collected in order to fulfill public loans payments. As long this Ponzi gamble is not respected, where ratio of economic growth is not bigger than the indebtedness one, government must apply a different policy of public spending financing.

In some cases government decide to cut spending, this means that some public spending must be reduced. Implicitly, the provision of the public goods and services has to be reduced. However, we propose a different kind of public spending cuts, seen from the perspective of efficiency, meaning

to obtain more benefits from the same amount of financial public resources used to provide public utilities.

3. One efficient solution - privatization

The privatisation of the provision of public utilities has to come as a reaction to budget constrains as consequence of actual economic recession.

Another condition into moving public utility provision from public to private sector is determined especially by the need for their modernization and improvement and the need to permanently raise the quality of public services that are offered to citizens.

privatization can be seen as a effective solution which can increase public utilities efficiency, guaranteeing in the same time a broad access to public services.

A major problem debated by Tarola (2011), is the necessity right from the beginning in correlating the privatisation process with the regulations. In other words these public goods and services, offered by the private sector need to comply with clear requirements of competence and quality, which are determinate by a well developed legal framework.

These transitions from state-owned companies to private ones, where the basic principle in their activity is to maximize profit, public utilities provision must be determined by a precise legal framework, thus excluding through privatization the waste of financial resources and free-rider access, which is possible by applying market economy mechanisms, where demand and consumption are affected by pricing policy.

The main reason for the transfer of ownership of public utilities supply to private sector is given by the principles that govern this sector: first of all profit maximize; provision of high quality goods and services to retain and attract "customers" (n.n. citizens); incentive to invest, innovate and improve social infrastructure in order to increase revenues.

In some cases, a private company that produces public goods and services, may adopt a pricing policy to stimulate or inhibits the demand, depending on production capacity which is correlated with investment policy.

4. Conclusion

Analyzing the evolution of principal macroeconomic indicators in a developing country as it is Romania, and taking in consideration the actual economic recession, we assume that the actual trend of public indebtedness is a unsustainable one, and in order to ensure a sustainable economic growth and avoid risks associated with excessive public debt, governments need to change public spending policy. Worldwide, the main line is about public spending cuts, seen as the reduction of the amount of public financial resources allocated to provision of public goods and services. Implicitly, that means that the supply of public utilities has to be reduced in order to cut public spending. But, public spending reduction can be seen not only as a physical reduction on paper but also as a change of public money allocation. To be more specific, a public spending reduction can be obtained if the government decide to prevatizate some of the public utility provision but also if the government decide to allocate money to efficient public spending, where benefits are greater than the amount of resources allocated.

This means, that public spending can be reduced not only through cuts but also through a better allocation of financial resources where the results are exceeding the costs or the public financial resources produce added value in the future.

In order to ensure public debt sustainability, government should contract public loans only to finance productive spending that will produce added value in future necessary to repay the debt. Actual economic recession can be seen as a lesson to improve and change public policies that are due actual economic crisis.

The consequence of irresponsible public spending and excessive public indebtedness is the economic downturn and other risks which can be seen in the long-run, affecting economic growth and development in the future.

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Market Concentration and Economic Theory

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Abstract

The economics of market concentration and antitrust law have a long-lasting tradition of fruitful interaction. In static neoclassical theory, market concentration - irrespective of the reasons of it - was considered harmful. Later, adherents of the Harvard School correctly observed a relationship between industry concentration and profits, but erroneously inferred that those profits were the result of artificial market power. In contrast, researchers working in the tradition of the Chicago school maintain that high profitability in a concentrated industry has to be interpreted as a reflection of superior efficiency of larger firms over smaller ones, not as a reflection of market power. Post-Chicago economists developed new game theoretic models and stated that the efficiency explanations of the Chicago School were insufficient and inadequate explanations of firm conduct or market structure. More recent, proponents of innovation school believe that there can be many instances where the losses in allocation inefficiency will be small and dwarfed by the gains in productivity and innovation.

Key words: market concentration, schools of thought: Harvard, Chicago, Post-Chicago and Innovation

J.E.L. classification: K21 K00 N4

1. Traditional concentration concerns

In static neoclassical theory, market concentration - irrespective of the reasons of it - was considered harmful. Edgeworth (1925) and Cournot ([1838], 1971) introduced pioneering contributions which until today remain at the heart of daily antitrust practice: models of imperfect competition. The neoclassical economists viewed competition as a state of affairs rather

than as a process as depicted by classical economists. It is built around the notion that the market is characterised by a state of equilibrium that is dependent on forces of demand and cost structure that determine who survives and who fails, and is formally presented in the idea of perfect competition. Despite the purely static framework in which this model is built, where time is not taken into account, the market structure (concentration sellers) dictate market outcomes (prices and profits) with a clearly defined behavior.

Resting on the ideal of static competition norm of perfect competition, oligopoly as a monopoly-type competition, indicate harmful situation in which the possession market power results in loss in (static) efficiency and welfare (two types of inefficiency can occur in a Cournot equilibrium: the equilibrium price exceeds the marginal cost of production, and aggregate output is inefficiently distributed over the firms). Neoclassical theory clearly indicates a case for competition policy. In essence, strong scepticism towards market power should guide competition policy. [1]

In '30, the concept of workable competition emerged from the literature as a concept to counteract the view that perfect competition is not a reliable basis for making normative appraisals of the working of actual markets (J. Clark).

In '40, an ordoliberal policy was developed based on the work of W. Eucken - "Fundamentals of the national economy" which has established a "theory of order" as the foundations of a "ordering policy." For the author, economic liberalism that is found in the market economy is the economic system that made the best possible allocation of resources. Ordoliberal policy is based on building a full order of competition. Ludwig Erhard has been revealed between ordoliberals, considering the social market economy as a specific form of economic

order and rules. He is considered the "father" of the law in Europe against restraints of competition, struggling to enforce competition law against all opposition. Erhard knew well that it would be naïve to trust market forces alone. The rules of supply and demand allow the market to maximise individual freedom *only* when one market player, or several market participants jointly, are prevented from achieving a position of market dominance [2]. Therefore, the state is responsible for creating a functioning competition framework. Simultaneously, it should increase the desire and the human capacity for action in the spirit of personal responsibility.

2. The Harvard School and the Structure-Conduct-Performance Paradigm

After the emergence of neoclassical price theory, a fundamental step forward in competition theory dates back to the Harvard School's Structure – Conduct – Performance paradigm somewhere around the 1940's. The S-C-P paradigm was developed by Edward S. Mason (1949a) at Harvard University. The original empirical applications of the new theory were by Mason's colleagues and students, the most famous of whom was Joe S. Bain. *"Market structure is a term used to define the characteristics within which firms operate in a given product market. The principal characteristics are the number of firms and their size. Also relevant is the market power of the firms' customers, the ease with which new firms can enter the market and old ones can exit it"* [3]. Adherents of the Harvard School correctly observed a relationship between industry concentration and profits, but erroneously inferred that those profits were the result of artificial market power. Bain aggravated the mistake suggesting that entry barriers were pervasive, and found that necessary up-front capital expenditures, incumbent efficiency, and other difficulties frustrated entry into concentrated markets and perpetuated market power [4].

According to Piraino, the Harvard School approach had many advantages. If antitrust analysis under the Harvard School was not perfect, at least it was certain. The courts were able to indulge in a presumption of

illegality for many types of conduct without engaging in a complicated analysis of the economic circumstances in the relevant market. Since the outcomes of trials were so predictable, business executives understood the type of conduct they should avoid. Firms in concentrated industries were effectively deterred from transactions that increased concentration levels in the relevant market. The Harvard School approach, however, also had serious disadvantages. Harvard School jurists were too quick to find fault with aggressive competition. The courts and agencies prevented large firms from engaging in competitive conduct that could have benefited consumers and would have been perfectly permissible for firms with lower market shares.

3. Efficiency and the Chicago School

The theoretical weaknesses of the structuralist approach and the lack of empirical support for the SCP led in the late 1960s and early 1970s to extensive criticism of antitrust policy and the Harvard School by a number of influential economic and legal scholars at the University of Chicago (A. Director, R. Bork, R. Posner, F. Easterbrook and G. Stigler). Chicago scholars launched three central challenges to the SCP approach [3]:

1. They refuted the connection between industry concentration and anticompetitive effects. For example, they stressed that coordination is costly so that one cannot presume coordinated anti-competitive behavior in all concentrated industries. Furthermore, the statistical correlation between high concentration and high profit rates was not necessarily caused by anticompetitive behavior, but could be the result of economic efficiency. Finally, economies of scale did justify high levels of concentration.

2. They pointed out that the relationship between structure and conduct is twosided. While the SCP-paradigm implies that market structure affects firms' conduct, the Chicago School stresses that firms' conduct may also affect the structure of the market. Therefore, a firm with a large market share may behave anti-competitively by cutting output. However, this will invite new entrants, which will improve competition.

3. Chicago's criticism of the SCP definition of entry barriers is that the latter saw entry barriers whenever entry was more difficult (e.g., in the presence of economies of scale, product differentiation, and cost advantages). The question for the Chicago paradigm is whether entry is more costly for the new entrant. For Chicagoans the only entry barriers are property rights conferred by the government (e.g., if the incumbent owns the patent to a product necessary for entry).

The books of Bork gives a complete and orthodox overview of the doctrine of the Chicago School. He argued that "*the antitrust laws were designed simply to increase the efficiency of the American economy*" [5]. Bork defined economic efficiency in terms of conditions that maximized wealth, and he equated wealth enhancement with "consumer welfare," meaning lower costs, reduced prices, and increased output of products and services desired by customers. Bork believed that "[t]he only legitimate goal of American antitrust is the maximization of consumer welfare." All other possible goals of the antitrust laws, including the protection of small business from the power of large firms, were irrelevant.

In Chicago approach, merger control is partially denied, although the school did not argue in favour of total abolition of competition policy. Only very large horizontal mergers leading to monopoly are seen "worthy of serious concern" [6]. The control of vertical or conglomerate mergers is as such rejected.

Researchers working in the tradition of the Chicago school of industrial economics maintain that high profitability in a concentrated industry has to be interpreted as a reflection of superior efficiency of larger firms over smaller ones, not as a reflection of market power. In addition, Posner argued that there was no basis for automatic judicial intervention against a merger where the combined market share of the four largest firms in the market was less than sixty percent. One of the most influential researchers in this tradition is Demsetz (1973) who argued that if a high concentration industry enjoys high profitability then the profitability of large firms in that industry should not be different from the profitability of small firms. He found that the profitability of larger

firms was in fact higher than smaller firms which he regarded as proof that larger firms were more efficient than smaller firms.

The transaction cost theory has a longstanding tradition in the law and economics of antitrust and the central idea in transaction cost economics is that the market is not entirely free in the sense that certain operations (transactions) are not entirely costless [7]. In Williamson's analysis the transaction is an exchange between two or more individuals whereby they transfer 'property rights' (that is, rights to dispose of scarce resources, which may be limited not only by other individuals' ownership rights but also by rules of legal liability and the provisions of competition law). Transactions differ perceptibly so far as costs are concerned and these differences in transaction costs influence the choice of the right organisational form or 'governance structure'. The transaction cost approach is thus concerned with the costs which are necessary to maintain the economic system. To put it briefly: markets and firms are regarded as alternative instruments for implementing transactions.

But the origins of transaction cost economics go back at least to Coase (1937), who in his classic essay laid the foundations for the new institutional economics. Markets and firms are indeed institutional forms, and their existence and survival are explained out of economic efficiency. The use of one mode or the other for a particular type of transaction directly follows from the relative costs of operating over one system or the other. As such, the laws which regulate and interfere with these institutions will also be judged in the long run by economic efficiency.

The transaction cost economics has been used to explain the horizontal and vertical boundaries of firms, the structure of hybrid organisations such as joint ventures and strategic alliances, the reasons for mergers and the motivations for non-standard contractual arrangements between firms.

The contestable market theory also had implications for merger control. Developed by Baumol (1982), stresses that a concentrated industry can behave competitively if the barriers for new entrants to the market are nonexistent or low. Baumol emphasizes that incumbent firms are always

vulnerable to hit-and-run entry when they try to exercise their potential market power. A market is said to be contestable if there is freedom of entry and exit into the industry. If this occurs incumbent firms will be forced to keep prices competitive and profits low, otherwise this will encourage other firms to enter into the market. Therefore, if the market is contestable then an increase in the concentration ratio will not necessarily cause an increase in economic inefficiency.

According to the Harvard School, fixed costs were seen to lead to scale economies on the one hand, but also to barriers to entry on the other. An exponent of the Chicago School, Stigler defines a barrier to entry as *"a cost of producing (at some or every rate of output) that must be borne by a firm which seeks to enter the industry but is not borne by firms already in the industry"* [8]. Barriers to entry are present only if the costs for firms entering the market turn out to be higher than the costs for the existing firms. In fact, what turns out to be important for understanding market structure are not fixed but sunk costs. The latter are defined as non-recoupable costs, or outlays one has to make in order to get in business, but which are without value if one exits. Entrants will not be stopped if the fixed cost - the factory in the example above - can get a new destination or can be sold on a second-hand market. In this respect, Kessides in his article, concluded that the sunk costs account for a substantial portion of the sample variance of concentration even after technological factors are controlled for. More recent work, belonging to the same author, indicate that increased market contestability, as signified by low sunk costs, tends to reduce the dispersion of firm sizes. These findings provide support for one of the key predictions of the theory of contestable markets: that market forces under contestability would tend to render any inefficient organization of the industry unsustainable and, consequently, tighten the distribution of firms around the optimum [9].

4. Post - Chicago School and "More Economic Approche"

The Post-Chicago School relies on complex (quantitative and econometric) tools to determine whether there is a market failure and the specific features of an industry are

crucial to determining market failures. Beginning in the 1980s economists developed new game theoretic models of imperfect competition and industrial organisation which supported concerns by an increasing number of antitrust scholars and practitioners that the efficiency explanations of the Chicago School, while valid in certain cases and circumstances, were insufficient and inadequate explanations of firm conduct or market structure and generally led to a too lenient interpretation of antitrust law. Largely derived from an analysis of competition in oligopolistic markets, many of these new game theoretic models by "Post-Chicago School" economists identified both the ability and incentives of firms to act anti-competitively through strategies designed to exploit unilateral or collective market power. Contributions to the literature include horizontal mergers (Farrell and Shapiro 1990); vertical mergers facilitating collusion (Nocke and White 2007); and anti-competitive vertical mergers (Riordan and Salop 1995).

Regarding the horizontal mergers, Stigler had already argued that mergers for a market power motive would not be formed as it is more profitable to stay out such a merger than to join it. Paradoxically, Salant, Switzer and Reynolds (1983) show that with a linear demand curve, constant marginal costs and firms competing in quantities, at least 80 percent of the firms in an industry have to be included in the merger in order for it to be profitable [10]. Clearly, these are not the mergers that will show up, for antitrust authorities would quickly rule them out on the basis of the creation of dominant positions. This would imply that mergers are not likely to form, unless some important efficiency gains in terms of, for instance, production or distribution costs are made. But these are the mergers that need to be approved from a welfare point of view, hence antitrust authorities only have to bother with clearly dominant positions.

But the result depends on one critical assumption: the competition is in quantities rather than in prices. It was shown by Deneckere and Davidson (1984) that all mergers are profitable even if they do not yield efficiency improvements in the latter case. Hence the conclusions are turned upside down by merely the change of one

assumption. This has led those critical of game theory to claim that any conclusion or its reverse can be proved, while the defenders of game theory claim that the advantages definitely outweigh this disadvantage (see, for instance, the discussion between Fisher, 1989 and Shapiro, 1989). The latter includes the fact that game theory requires one to explicate all the assumptions made also on behalf of the rival players (which was not always done by price theory), as well as the richness in terms of institutional detail and hence the realism game theory has added to economic models.

Sutton (1991), provides an alternative method of estimating competition using game-theory to explain firms' profit maximizing behaviour when there are sunk costs associated with production [11]. He distinguished two types of sunk costs: the exogenous sunk costs needed to set up a plant of minimum efficient scale and the endogenous sunk costs which cover the cost of advertising and R&D. He showed that when entry and exit are assumed to be free, the equilibrium number of firms, and thus market concentration, depends on the market size, the magnitude of sunk costs, and the intensity of price competition. Given the intensity of price competition, the model predicts that there is a lower bound to concentration which decline to zero as the market size increase towards infinity. The model also predicts that an increase in the intensity of price competition will lead some firms to exit and others to merge so that the level of concentration tends to increase. The lower bound concentration model has been successfully used to explain the competitive effect of market expansion and of changes in policy regimes. [12].

The new empirical industrial organisation has tried to resolve the problem of indeterminacy in the new industrial economics, by leaving it open as to what kind of conduct prevails in an industry. The general idea is that industry structural elements can be measured and modelled, hence one starts from theoretical models of a sector. As such, conduct which is much harder to know *ex ante* is left open to be determined empirically. The divergence of industries necessarily calls for sector-specific models. Usually the fundamental ingredients are specifications of supply and demand,

modified and augmented with industry-specific features. Estimation based on time series analysis allows the identification of market power, that is to separate the effects of cost changes from mark ups. The new empirical industrial organisation is a great leap forward for antitrust practitioners, as it allows the simulation of the effects of mergers.

5. The Innovation School

A new economics doctrine — innovation economics — has emerged in the last decade through the work of a wide range of scholars and postulates that innovation (the development and adoption of new products, processes, and business models) drives growth. As a result, it makes an explicit effort to understand and model those forces and factors conducive to innovative activity, seeing such advances as a result of intentional activities by economic actors, including government.

The innovation doctrine places more emphasis on productive and dynamic efficiency. Most economists and antitrust scholars focus on static competition in the equilibrium-based market not because they are biased against dynamic competition. Rather, conventional economics largely ignores dynamic factors because of its almost exclusive focus on mathematical models. This is in part because "*the mathematics of dynamic models is far more challenging and the likelihood that an economist who invests efforts in such models will achieve a publishable result is lower*".... "*When realism and relevance butt heads with analytical tractability, tractability almost always wins out in economics*" [13]. In short, a major reason why innovation is often ignored by conventional doctrines is because it "cannot be expressed in blackboard economics" [14].

The "innovation school" critique is based on several factors, according to R.D. Atkinson and D.B. Audretsch [15]. First, proponents believe that the focus of competition policy should be much more on the side of spurring firm productivity and innovation with less worrying about either allocation efficiency or distributional effects. Second, they see the neoclassical Chicago and post-Chicago doctrines as too focused on

static, short-term allocation efficiency and as not recognizing the importance of dynamic markets and innovation. In this sens, the neo-Austrian School define real world competition as a dynamic process, "as a discovery procedure". They reject the neoclassical equilibrium model and instead argue in favor of "the market process view" [16]. Third, the innovation school is more prone to see inter-firm cooperation as positive. Finally, it sees different industries as having different dynamics and therefore requiring different antitrust approaches.

6. Conclusion

Economists are interested in explaining what causes the market to deviate from its competitive level as it entails welfare loss to society. The methodology that is commonly used to explain the intensity of competition is the structure-conduct-performance. The SCP approach has been subject to much scrutiny. Researchers working in the tradition of the Chicago school of industrial economics maintain that high profitability in a concentrated industry has to be interpreted as a reflection of superior efficiency of larger firms over smaller ones, not as a reflection of market power. A more recent approach to industry analysis provides an alternative method of estimating competition, by using game-theory and innovation doctrine.

7. Acknowledgement

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The Influence of Economics on Antitrust Law

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Abstract

Since the very beginning of antitrust legislation, microeconomics has influenced the context as well as the implementation of the law. Because economic development is in nature very cyclical, merger policy can not be static, being influenced also by the development of economic theory. There are remarkable differences between American and European law with respect to the treatment of some hot issues in antitrust, such as merger control. While in the U.S., the policy principles have been modified to incorporate recent theoretical developments in Industrial Organization, such as the analysis of oligopoly behavior and the role of efficiencies, in European competition policy only recently have moved to embrace a post-Chicago approach with an emphasis on efficiency (particularly as it applies to European firms), but the officials still hold on to a populist approach, with a greater focus on defending the interests of producers (firms and workers) and to an "ordoliberal" approach.

Key words: merger policy, schools of thought, EU competition policy, US antitrust

J.E.L. classification: K21 K00 N4

1. Developments in economic theory that affect merger policy

In static **neoclassical theory**, market concentration - irrespective of the reasons of it - was considered harmful. At that time, when the Supreme Court confronted cases involving market power measurement, it tended to accept broad market definitions that made a finding of dominance less likely. In *Standard Oil Co. v. United States*, the Court upheld a patent pool by which several major refiners set the royalties to be paid for exploiting catalytic cracking technology. Key

to the decision was the definition of the relevant market. If cracking technology were the relevant product, the refiners' market share would exceed 60 percent. Alternatively, if the relevant product encompassed all refining capacity, including older distillation technology, the defendants' share would be only 26 percent. The Court embraced the second alternative and concluded that the refiners probably lacked power to raise prices [1].

The authors of the Treaty of Rome used the concept of **workable competition**, moreover, many of the distinguishing features of European competition policy seem to fit into this theoretical framework. It is noteworthy that the European Court of Justice, in its leading *Metro* judgement, referred to the concept of *workable competition* as being the type of competition that was necessary to achieve the economic objectives of the EC Treaty.

In the especially striking example of competition policy, Katja Seidel (2008) has shown how the entrepreneurial leadership of Commissioner Hans von der Groeben and Director-General Pieter VerLoren van Themaat helped to unite their civil servants behind a broadly **ordoliberal** conceptualization of a 'competition society' which has guided Directorate-General (DG) IV policy to the present day.

From the end of the Second World War to the early 1970s antitrust enforcement was interventionist with its economic foundations based on the structure-conduct-performance paradigm (SCP) of the **"Harvard School"**. Harvard School scholars believed that mergers and joint ventures will substantially increased concentration levels in the relevant market made it easier for the remaining firms to engage in anticompetitive conduct. At that time, Harvard professors applied the structural approach to antitrust theory. When America's merger law was re-written in 1950, the Senate report recommending this

change in policy put the concern about concentration of economic decision making power at the forefront of its deliberations, declaring : *"The purpose of the proposed bill ... is to limit future increases in the level of economic concentration resulting from corporate mergers and acquisitions"*. The Supreme Court recognized that by enacting this new merger law, Congress resolved *"competing considerations in favor of decentralization,"* and sought to block *"what Congress saw was the rising tide of economic concentration..."*. Judge Wyzanski later underscored this direct concern about market power in his United Shoe Machinery decision: *"Concentrations of power, no matter how beneficently they appear to have acted, nor what advantages they seem to possess, are inherently dangerous. Their good behavior in the past may not be continued; and if their strength were hereafter grasped by presumptuous hands, there would be no automatic check and balance from equal forces in the industrial market"*.

In European policy, the Harvard ideas that the structure of the market has an impact on the ultimate performance of the market is clearly reflects in the field of merger control. This result form the emphasis of the inquiry on whether the concentration 'creates or strengthens a dominant position' (Reg. 4064/89). There is no explicit efficiency defence. Efficiencies are often seen as evidence of market power, rather than as benefits which may outweigh the anti-competitive consequences of mergers [2].

"The implications of the SCP paradigm for competition policy is that we can identify which market structures lead to anticompetitive results and devise a competition law that is designed to modify or prevent market structures that are linked with poor economic performance." [3].

The theoretical weaknesses of the structuralist approach and the lack of empirical support for the SCP led in the late 1960s and early 1970s to extensive criticism of antitrust policy and the Harvard School by a number of influential economic and legal scholars at the University of Chicago. In **Chicago approach**, merger control is partially denied, although the school did not argue in favour of total abolition of competition policy. Only very large

horizontal mergers leading to monopoly are seen "worthy of serious concern". The control of vertical or conglomerate mergers is as such rejected.

According to P. Van Cayseele and R. Van den Bergh, [4] **transaction cost economics** has important implications for antitrust policy. Certain market structures might be the result of transaction cost efficiencies, not the strive for market power. A welfare-maximising anti-trust law then must take into account these efficiency aspects. In the context of the control of concentrations it is necessary to consider what transaction cost savings will be prevented by a merger prohibition and whether these (possible substantial) costs are compensated by the anticipated advantages of more intensive competition.

Joskow (2002) support of the application of transaction cost economics to competition policy: *"At the present time Transaction Cost Economics and Post-Chicago school of antitrust law and economics are like ships passing in the night. The development of sound antitrust legal rules and remedies would benefit from integrating these approaches and recognizing that they are compliments (sic) rather than substitutes"* [5]. According to Holland, *"transaction cost analysis enhances and complements neoclassical and industrial organisation theories to provide more accurate assessments of competitive behaviour and market structures. The greater use of transaction cost economics to competition analysis is likely to result in improved decision-making by competition authorities and better legal rules and remedies for competition policy."* [14]

The **contestable market theory** also had implications for merger control. In principle, the message of contestability theory is that policy intervention in market processes is unnecessary, if entry and exit are free and easy. In this case, potential competition as well as actual competition will influence market performance. In practice, the prescriptions of contestability theory seem often to have been applied in a free and easy manner, without the kind of detailed analysis necessary before it would be safe to conclude that a particular market could be treated as "workably contestable." S. Martin stated in his article "The Theory of Contestable

Markets" that "a simple way to summarize the insights that contestability offers to policymakers is to say that public authorities should make markets as contestable as possible, given the constraints imposed by other (and possibly noneconomic) goals" [6].

As Van Cayseele and Van den Bergh argued, a real danger of the Chicago price theory tradition comes from the exaggeration of some theoretical concepts that do not apply to the real world very often. A such an example was contestability theory that has been mistakenly applied in US in the airline mergers (see Utton, 1995). The result has been that it has been somewhat discredited. While in general thrust and effects, the major difference with mainstream Chicago concepts seems to lie in the lack of a positive inclination: the contestable market model serves a normative purpose in that it merely shows that there exists a yardstick market structure in which antitrust policies are useless even in the presence of monopoly. The assumptions needed to obtain this conclusion are so restrictive that the contestable market model cannot make claims to be descriptive or positive theory. In the theory of contestable markets, the fact that the market structure is concentrated says nothing, of itself, about the degree of efficiency. Even with a high degree of concentration, allocative efficiency is not excluded because potential entrants exercise a controlling discipline. Perfect contestability produces a similar outcome to perfect competition: prices are equal to marginal costs, as required by the welfare theorems, but without having a substantial number of competitors in the industry. The players necessary to guarantee this result are found outside the industry.

Nonetheless, the Chicago School influences American antitrust policy. A more permissive climate developed for mergers. Responding to the concerns of the Chicago School, the Supreme Court, in 70's, began to open up merger and joint venture analysis to a consideration of factors other than market share concentration statistics. In *United States v. General Dynamics Corp.* the government suffered its first Supreme Court defeat concerning a case brought under the Celler-Kefauver Act. *General Dynamics* showed that the rebuttal possibilities recognized in *Philadelphia National Bank*

(1963) were not illusory. Several influential lower court cases used evidence concerning ease of entry to permit mergers that yielded high market shares, as in *United States v. Waste Management, Inc.* and *United States v. Syufy Enterprises*. Other decisions recognized at least the conceptual validity of efficiency justifications, even if they rejected the efficiency arguments of merging parties in the case at hand, as in *Federal Trade Commission v. University Health, Inc.* Perhaps most important, the court of appeals in *United States v. Baker Hughes, Inc.*, with a panel including future Supreme Court justices Clarence Thomas and Ruth Ginsburg, ruled that the defendant's burden of proof in a merger case depends on whether the plaintiff relies solely on market share data or provides further evidence of likely anti-competitive effects. These decisions parallel similar developments in the federal merger guidelines, which disavowed the most extreme enforcement possibilities created by Supreme Court merger decisions in the 1960s.

By the early 1990's, the Chicago School had completed a revolution in antitrust analysis. In US the Merger Guidelines were revised several times (in 1982, 1984 and 1992) to take account of developments in economic thinking concerning the competitive effects of mergers. In the 1992 Guidelines there is no longer an explicit reference to the S-C-P paradigm; there is also explicit scope for an 'efficiency defense', which clearly reflects the influence of the Chicago School.

In Europe, the fact that the economic doctrine of the Chicago School has not influenced European competition law at that time is clearly apparent from the decisions in *AKZO* and *Tetra Pak II*. The Court of Justice accepted a price-cost comparison as the yardstick by which to establish predatory pricing. Abuse of dominant position must be deemed to be present once prices fall below the level of average variable costs.

Beginning in the 1980s economists developed new game theoretic models of imperfect competition and industrial organisation which supported concerns by an increasing number of antitrust scholars and practitioners (**Post –Chicago Scholars**) that the efficiency explanations of the Chicago School, while valid in certain cases and

circumstances, were insufficient and inadequate explanations of firm conduct or market structure and generally led to a too lenient interpretation of antitrust law. A general introduction of the achievements **game theory** was able to accomplish for competition policy is provided by Philips (1988, 1995). Jacquemin (1997) provides examples of the links that game theory has regarding both the goals of competition policies and the anti-competitive practices that are unconceivable with such policies. Revisions of the U. S. Guidelines during the 1990s reflect the increasing importance of game theory in antitrust economics. The newer editions extensively discuss how a merger might lead to anticompetitive outcomes by either increasing the likelihood of coordinated interaction or giving the merging parties unilateral ability to raise price. The discussion of entry extensively assesses the ability of new firms to be able to operate at a scale sufficient to recover any sunk costs of operations. A belief that a general disposition viewing concentration as bad does not suffice. One has to tell stories regarding strategic opportunities and entry barriers consistently, at least broadly, with a plausible game-theoretic equilibrium model.

The **new empirical industrial organisation** is a great leap forward for antitrust practitioners, as it allows the simulation of the effects of mergers.

A less direct but also important influence of these modeling techniques is in the specific prediction of a merger's effects. Some of this work has been purely theoretical, looking at the effects of mergers in models where merger is an equilibrium outcome and not merely an assumption (Farrell and Shapiro, 1990). Some applications have been in the development of simulation techniques to predict the effects of mergers, that rely on demand models calibrated to match current industry data regarding price, market shares, elasticity of demand for the product as a whole, and cross-elasticities of demand between products (Werden and Froeb, 1994). These demand models have also led to econometric techniques for estimating brand-specific demands, particularly as they may be affected by the prices of other brands (Baker and Bresnahan, 1985; Bresnahan, 1989) and thus provide estimates of the effects of

mergers that eliminate independent pricing. As Brennan stated, these techniques are the result of theoretical advances and increases in computing power, but a major contributor has been the vast quantities of retail purchase data from bar-code scanners at checkout counters [7].

In general, merger analysis became more heavily economic in the 1990s. Economic concepts now pervade the federal merger guidelines, and merger analysis, whether performed by prospective merger partners or antitrust agencies, routinely involves close collaboration between economists and attorneys. Although the Supreme Court has said nothing about substantive merger rules since 1975, in *United States v. Citizens and Southern National Bank* (422 U.S. 86), lower court decisions and government enforcement guidelines continue to deviate from standards the Court endorsed in the 1960s. These developments have both toughened and loosened antitrust enforcement. Some cases, such as the rejection of the Staples/Office Depot merger in *Federal Trade Commission v. Staples, Inc.* (970 F. Supp. 1066 [D.D.C. 1997]) have analyzed competitive effects in seemingly narrow submarkets and have used electronic data from cash registers to measure market power directly by analyzing how the business at one chain affected the other. However, in 1997, the federal agencies amended their merger guidelines to account more generously for merger synergies in analyzing competitive effects. This approach could make the law more friendly to mergers in some cases.

Adherents of the **innovation doctrine** argue that antitrust policy — and merger policy specifically — need to incorporate analysis of longer-term dynamic effects. As Atkinson and Audretsch stated, the innovation doctrine makes it clear that the focus of antitrust thinking should be on the long-term trajectory of product value and price, not just current consumer welfare measured by short-run prices. Again, as Porter argues: Since the role of competition is to increase a nation's standard of living and long-term consumer welfare via rising productivity growth, *the new standard for antitrust should be productivity growth*, rather than price/cost margins or profitability. All combinations or practices scrutinized in antitrust should be subjected to the following question: how will

they affect productivity growth? If a merger, joint venture, or other arrangement will significantly enhance productivity growth, it is probably good for society and for consumers (as well as the firms involved). Transactions with dubious benefits for productivity growth, or those that offer only a one-time productivity benefit, are likely to be net negatives for society if they pose any risk to the overall health of competition. Following the same logic, Alberto Pera writes, "*it could be argued that a proper application of the efficiency framework would be the examination of practices not in terms of their effects on consumer welfare, but rather in terms of their effects on total welfare and wealth* [8]". Thus, the Chicago school and the innovation school have similar, but not exactly the same goals. Both would place more value on efficiency gains than net income transfers from consumers to producers, since the latter is a transfer payment in which society as a whole is no worse off. In this sense both the Chicago school and the innovation school would value the loss from transfer payments due to higher prices less than the gains from more efficient production or innovation.

The second area of difference concerns time and change, according to R.D. Atkinson and D.B. Audretsch. The innovation school argues that the analysis of growth impacts cannot be static (as it is with the Chicago school, for example with respect to more efficient production). For the innovation school, the focus is more dynamic, involving both productivity and innovation. In the other three approaches, the losses to consumer welfare are included in the model, but the dynamic gains (for example, the introduction of a new product or service) usually are not. As Hart notes, innovation has historically been only one of many objectives of antitrust policy, and not necessarily the most important one. Rather, the focus has been more about short-term impacts on prices. Indeed, as Michael Porter notes, "*The effect of mergers or competitive practices on the overall rate of innovation is usually only paid lip service* [9]."

In addition, Shapiro notes: "*If appropriability is low, e.g. due to weak intellectual property rights and significant spillovers to rival firms who engage in imitation, then increased concentration can*

improve appropriability and promote innovation, weakening the link between concentration and competition. [10]"

This is one reason why the conventional doctrines provide little guidance to policy makers and the courts in deciding cases based on an understanding of dynamic processes. As Evans and Hylton argue: "*If a judge wanted to know whether any particular business practice should fall on one side or the other of the boundaries for the game of competition she would not find the answer — or even much of what she would need to know to make an informed judgment — in the modern industrial organization literature* [11]." This is in part because the conventional antitrust approaches are based on a notion of markets in equilibrium where market power is sustaining and the allocation mechanism leads to predictable outcomes. Thus, the goal is to enable competition that will lead to clearly determined outcomes (selling a bit more barley and a bit less wheat, for example). In contrast, the innovation school argues that markets and positions in markets are constantly shifting. As Mantavinos states, "*competition thus leads to a permanent forming, shifting and erosion of market power* [12]"

Finally, the innovation school suggests that industries should be treated differently. And indeed, some industries, particularly high-tech industries, have very different characteristics than others. As Richard Posner states, high-tech industries "are characterized"... "*by falling average costs (on product, not firm, basis) over a broad range of output, modest capital requirements relative to what is available for new enterprises from the modern capital market, very high rates of innovation, quick and frequent entry and exit, and economies of scale and consumption (also known as 'network externalities.')* [13]" One defining feature of these industries is that firms are more likely to engage in dynamic competition for the market (for example, in a process of "creative destruction") whereby drastic innovation makes market leadership highly contestable. In other words, innovation is pursued not just to gain a small share of a stable market, but to fundamentally disrupt the market. As Farrell and Katz argue, "*in network markets subject to technological progress, competition may take*

the form of a succession of "temporary monopolists" who displace one another through innovation. Such competition is often called Schumpeterian rivalry. [14]"

The innovation school approach also more explicitly recognizes that differences among industries require different approaches to antitrust. As Geradin (one analyst of EU competition law) states: *"Because these industries [technology industries] have increasing returns or significant economies of scale on the production side, the markets will tend to be concentrated. In many cases marginal costs are close to zero. And combined with substantial economies of scale on the demand size (e.g., network effects); there is real benefit from concentration.[15]"*

2. Conclusion

In recent years, antitrust enforcement has increasingly focused on innovation issues. In September 2009, for example, the FTC and the Antitrust Division asked whether the Merger Guidelines should *"be updated to address more explicitly . . . the effects of mergers on innovation."*

EU competition policy can rightfully be said to have been influenced by many different views and philosophies. The most influential schools in the US – Harvard, Chicago and post-Chicago – have most likely left prints in the application of merger control. Likewise, Austria and the German city Freiburg were important outposts for competition law thinking in Europe.

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Euro Zone between Recent Evolutions and Perspectives

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Abstract

Global economy was significantly affected by the global financial crisis and especially the budget balance of all countries. Sovereign debts cause the lack of stability and the shift of monetary policy.

This paper is about the recent evolutions in euro zone and its perspectives. The Euro break –up scenario should give unexpected consequences. Under the current structure and with the current membership, the Euro does not work. Either the current structure will have to change, or the current membership will have to change. On the other hand, the Euro break –up means economic and political costs which are not agree at the moment. The cost of a weak country leaving the Euro is significant. Consequences include sovereign default, corporate default, collapse of the banking system and collapse of international trade. The risk case, of break-up, is considerably more costly and close to zero probability. Countries cannot be expelled, but sovereign states could choose to secede. So, the perspectives of Euro Zone are fiscal confederation and fiscal discipline, not break-up.

Key words: euro zone, break –up scenario, economic costs, monetary policy, fiscal policy

J.E.L. classification: E 52

1. Introduction

The global economy has been affected by global financial crisis and particularly the countries budget balance. Sovereign debt is causing serious shortage today financial stability. Hence, to change monetary policy is needed. This paper addresses recent developments and new challenges and prospective of the euro area. The serious

concern for the future of the Euro area and the single currency is natural in the context of the current financial fluctuations which affect financial stability. In the same time, financial stability is the main objective to catch by monetary authorities in euro area. Thus, we have considered a topic complementary and goal oriented work, namely: (1) current issues for monetary policy in Romania; (2) the technical conditions for euro adoption by Romania; (3) recent developments of national currency against the euro; (4) analyst's opinion signals and survey results on the financial crisis effects; (5) Euro area scenarios and financial stability perspectives and solutions. Setting these all items is based on the analysis of published studies in this field and we capitalize them to the purpose of the work.

2. Current issues for monetary policy in Romania

National Bank of Romania (NBR) as the central bank and monetary authority has responsibilities for monetary policy, securities operations, and management of international reserves. Monetary policy instruments used are related to open market operations (at the initiative of the central bank), standing facilities (at the initiative of the commercial banks) and the minimum reserve requirements. The actual directives of NBR are anchored to the actual European evolutions, namely: (i) maintain solvency and liquidity provision to banks all levels appropriate; (ii) identify new ways to resume lending more balances categories of currencies, while ensuring a degree of indebtedness of borrowers more sustainable; (iii) develop and improve solutions applicable to credit institutions in difficulty; (iiii) respect international agreements with made commitments at the national programs anchored to strengthen the economic results

achieved and financial stability and structural reforms.

3. The technical conditions for euro adoption by Romania

Romania's situation as part of the European Union should be, by default a new member of European Monetary Union. This approach, however, is conditioned primarily by nominal convergence. The fulfilling of Romania's convergence with the Maastricht criteria at the final of 2010 is reflected below: a) Inflation (percent, annual average) < 1.5 percentage points above the average of three best performing EU members (2, 2%) is 5,5% with 3,3 % deviation; b) Long-term interest rates (percent per year) <2 percentage points above the average of three best performing EU members (6, 3%) is 7.6% with 1.3% deviation; c) Exchange rate against the euro –maximum percentage +/- 15% is fulfilled at +1, 71 /- 14, 3. d) Consolidated budget deficit (percentage of GDP) less than 3% is 7.2% with 4.2% deviation; e) Public debt (percent of GDP) below 60% is fulfilled at 30.4%. In this context, preparing for euro adoption involves a series of measures aimed to political governance, institutional governance and preparation of the changeover: setting a target date for adopting the single currency, forming the National Committee for the changeover and development of the National Program for changeover.

4. Recent developments of national currency against the euro

At the end of September 2011, new Euro scores a maximum of 4.3218 lei/1 euro to 1 July 4.3537/1 euro. This exchange rate is the highest level in over three years. Also in this period depreciation against the euro pushed BET-FI index, calculated in euro, at a minimum in last several years, to 3942.37 points in 2011 September 30 from 6531.94 points in April 1. In the same trend, quoting the currency pair EUR/RON by NRB in 2011 September 30 to 4.3533 RON for 1 euro is one of the lowest levels for national currency.

Analyst's opinion signals and survey results on the financial crisis effects

More and more financial analysts are subject to opinion polls on the debt crisis in Europe. Bloomberg recently published studies show that analysts interviewed believe that the current sovereign debt crisis will bring economic and financial collapse and social turmoil. This conclusion is based on interpreting the results survey: 72% anticipate that a member of euro zone gives up the fiat currency in next 5 years; 75% indicate that the euro zone economy will enter in recession in next 12 months; 53% believe that the turmoil in the banking sector will worsen; 40% think that monetary union consists of 17 countries will lose at least one member in 2012; 35% believe that Europe's worsening debt will negatively affect the world economy next year. After this prediction, seems useful to find the perspectives and solutions for European Monetary Union.

5. Euro area scenarios and financial stability perspectives and solutions

Under the current structure and with the current membership, the Euro does not work. Either the current structure will have to change, or the current membership will have to change. Many studies show that the Euro moves slowly and painfully, towards some kind of fiscal integration. The risk case, of break-up, is considerably more costly and close to zero probability. Countries cannot be expelled, but sovereign states could choose to secede. However, popular discussion of the break-up option considerably underestimates the consequences of such a move. **The economic cost** of a weak country leaving the Euro is significant. Consequences include sovereign default, corporate default, collapse of the banking system and collapse of international trade. There is little prospect of devaluation offering much assistance. Specialists in this field estimate that a weak Euro country leaving the Euro would incur a cost of around EUR9,500 to EUR11,500 per person in the exiting country during the first year. That cost would then probably amount to EUR3,000 to EUR4,000 per person per year over subsequent years. That equates to a range of 40% to 50% of GDP in the first year.

Were a stronger country such as Germany to leave the Euro, the consequences would include corporate default, recapitalisation of the banking system and collapse of international trade. If Germany were to leave, we believe the cost to be around EUR 6,000 to EUR8,000 for every German adult and child in the first year, and a range of EUR3,500 to EUR 4,500 per person per year thereafter. That is the equivalent of 20% to 25% of GDP in the first year.

In comparison, the cost of bailing out Greece, Ireland and Portugal entirely in the wake of the default of those countries would be a little over EUR 1,000 per person, in a single hit. **The political cost** is, in many ways, the least of the concerns investors should have about a break-up.

Fragmentation of the Euro would incur political costs. Europe's "soft power" influence internationally would cease (as the concept of "Europe" as an integrated polity becomes meaningless). Breaking up the Euro scenario was anticipated by Romano Prodi, EU Commission President, who in December 2001 said: *"I am sure the Euro will oblige us to introduce a new set of economic policy instruments. It is politically impossible to propose that now. But some day there will be a crisis and new instruments will be created."* The problem with the Euro is why considering break-up at all? Break-up occurs because the Euro does not work. Member states would be economically better off if they had never joined. European monetary union was generally miss-sold to the population of the Europe.

In the 1990s the Euro was often characterized as an instance of foreign exchange rate integration – the Exchange Rate Mechanism without the crises. The advantages of no foreign exchange rate uncertainties or costs for trade and tourists were emphasized. Of course the exchange rate integration was probably the least of the consequences of the Euro. The most important consequence was the integration of monetary policy. The hint was in the name "European Monetary Union". However, politicians sought to ignore that hint.

A Euro that had been promoted on the idea of monetary union rather than exchange rate integration would have been far more difficult to sell to the electorate. A monetary union is, economically speaking, a "good"

idea if the membership constitutes an optimal currency area. This occurs under one of two conditions. Either the area is so homogenous that the component economies all move in the same direction at roughly the same speed, at the same time. Alternatively, the economies are sufficiently flexible that any differences in economic performance can be relatively swiftly corrected. The homogeneity is necessary because there is only one nominal monetary policy for the monetary union.

If different economies are moving in different directions, or at different speeds, monetary policy cannot be set optimally for the whole union. Some part of the monetary union will have an inappropriate monetary policy. If there is no homogeneity (and homogeneity is rare in anything other than a very small economy) then flexibility is required. If nominal economic activity in one part of the union deviates from the monetary union norm, then some adjustment must happen to correct that and force normalisation. This adjustment can be through labour migration, nominal wage adjustments, price adjustments or (as is the preferred solution for the Euro given its circumstances) though fiscal automatic stabilisers.

In the absence of such adjustments, some areas of the monetary union will suffer a persistently inappropriate monetary policy. It was the great misfortune of the Euro that the early years of its life saw a monetary policy that was biased towards being too accommodative for some of its members. Politicians generally will only recognize the existence of economic threats when they come garbed with immediate negative consequences – this is why politicians are so eager to ban the short selling of assets. Politicians generally fail to appreciate that economic threats can also wear a (temporarily) positive appearance, in the form of bubbles.

These are just as damaging as negative price moves – yet for some reason "rising asset markets" that misprice assets are politically perceived as good, while "falling asset markets" that misprice assets are politically perceived as bad. Even today, politicians who rush to ban naked short positions would not dream of banning naked long positions. As a result, the Euro spent the

first decade of its existence largely oblivious to the serious economic threats posed by its dysfunctional nature. The crisis predicted by Romano Prodi was therefore even more real than his words.

The legal position and factual findings -

In theory the break-up of a monetary union like that of the Euro could be the result of one of two actions: the first would be a Member State or a group of States deciding to leave (secession); the second act would be the expulsion of a Member State or group of Member States by the majority of the union. As things stand, secession is highly costly and very difficult, and expulsion is impossible. There are three reasons why the founders of the Euro chose not to include an opt-out clause in the governing treaties:

a) the existence of an opt-out would have been seen as a lack of commitment from Member States;

b) the existence of an opt-out – however structured – would have raised the possibility of a country exiting; c) by failing to specify a technical mechanism for an exit, the costs of exit are significantly raised.

The result seems to be like famous song *Hotel California*: "You can check out ... but you can never leave". Some voices said more important, there are no details provided as to the actual mechanism of exit. The Member State has to negotiate its exit; there is no solution nor even a facilitation of the process proposed, just the option to embark on negotiations. Most important, there are legal arguments for a country to leave the EU, but not one to leave the EMU. What about expelling a country?

Here again there is no legal basis for doing so. There is an option to leave the EU but not one to expel a country from either the EU or the Euro. Because the expulsion is not an option under current law, to expel a Member State requires an amendment of the Maastricht Treaty.

Amending the Treaty requires unanimous consent – from all 27 countries of the EU. The country that is to be expelled would first need to vote in support of the expulsion mechanism. The country is effectively agreeing to its own expulsion – which makes expulsion secession. A Member State (even one that has agreed to an expulsion amendment) could argue against the expulsion before the European Court of

Justice, and on the basis of the inconsistency the European Court of Justice could declare the expulsion invalid. On the other hand, leaving legally does not seem to be a viable option.

At the moment, the Treaties governing the Euro were designed so as not to have an exit option. The Euro is made up of sovereign states. As such, these states could choose to repudiate the Treaties that they have signed, and unilaterally declare independence from the Euro and the EU. Another case is unilaterally leaving for the weak countries. Rationally, an economy would choose to leave monetary union if the costs of staying in exceed the costs of departure.

Once a country has voluntarily surrendered its currency and its monetary policy independence to a common currency area, the costs of leaving that monetary union and establishing a new national currency (NNC) are huge. If one country left, then speculation about other weak economies choosing to leave could then generate costs that are very similar to these. This means that it is very unlikely that a single country leaves the Euro.

Default on domestic debt- In the case of a country chooses to leave the Euro it has essentially two choices with regards to its domestic sovereign debt. One is to leave the sovereign debt as it is – that is to say, Euro denominated. The problem with this approach is that the entire debt is then denominated in a foreign currency, over which the NNC country has no power of taxation. The only way of earning Euros would be through trade, which is likely to be significantly disrupted – and so default on the Euro denominated national debt is almost certain. The other and more probable option is the forced conversion of Euro denominated debt into NNC debt. This would constitute a default in the eyes of most investors.

Default on sovereign debt – in either case – would generate lasting economic costs as the long-term cost of capital for the government would increase. However, inside or outside the Euro, some countries are likely to default.

The increase in sovereign debt costs associated with a default could perfectly easily happen with the Euro in circulation (bond markets already price Greek debt as if it were about to default, for instance). What

makes Euro exit more costly is the fact that as well as the sovereign default, there is also likely to be a corporate default. If the government is changing the currency of the country, it will force the change on the domestic corporate sector, which will thus share the government's default. In all likelihood, even if there is no force, a domestic company earning revenues in the NNC will have problems settling any debts that have been incurred with overseas banks. Exiting the Euro is not going to take place with a small depreciation of the NNC.

Collapse of the domestic banking system - If the NNC is to function properly, the seceding government would have forcibly redenominated domestic bank deposits into the NNC, otherwise the NNC is an entirely abstract concept. The reality of implementing this becomes highly arbitrary. For instance, should only Euro accounts be forcibly redenominated, or should sterling and dollar accounts also be converted into the NNC? Post the NNC being established, the Euro is a foreign currency.

If one foreign currency is to be converted into the NNC, why not convert all foreign currencies in the domestic banking system? Should the conversion apply only to domestic citizens or to foreigners with accounts in the domestic banking system? What about foreigners with Euro accounts in an overseas branch of a domestic bank? In this situation, confronted with the obvious uncertainties surrounding the establishment of a NNC, the obvious response of anyone with exposure to the secessionist banking system is to withdraw money from the bank as quickly as possible. T

his could be done electronically – unless the government puts in place stringent capital controls. In that event, the wise depositor anticipating the creation of a NNC would withdraw their money in physical Euro form, pack it into a suitcase and head over the nearest international border – unless the government seals their borders to the movement of people. In such scenario, the sensible depositor would withdraw their money in physical Euro form.

The only way that can be prevented is to shut the banking system entirely, or perhaps place a limit on the amount of withdrawals that can be made over the transition period.

This is the collapse history of the US monetary union in 1932-33.

The banking system is also likely to be the most immediate transmission mechanism for the crisis beyond the borders of the seceding state. If bank runs and enforced conversions in the seceding state are witnessed elsewhere in the Euro, citizens of any Euro member state that is considered to be a possible candidate for secession would start to withdraw their bank deposits from their domestic bank system out of fear. Bank runs could spread before the actual act of secession, therefore, and become a catalyst for a more widespread crisis in the Euro financial system.

Departure from the EU is difficult - It seems highly unlikely that a government could leave the Euro and expect to remain a fully functioning member of the European Union itself. The process of introducing a NNC is clearly against the guiding principles of the European project. By leaving the Euro, the seceding country is breaching the constitution of the European Union (the Treaty of Maastricht forming part of the body of European constitutional treaties).

A country could leave the Euro and then negotiate to stay in the European Union.

Trade and tariff problems - It is also important to note that exiting the EMU means exiting the EU. This would leave the country departing with no trade agreement with Europe. The ideal idea that a seceding state would immediately have a competitive advantage through devaluing the NNC against the Euro is not likely to hold in reality. In the event that a NNC were to depreciate 60% against the Euro, it seems highly plausible that the Euro area would impose a 60% tariff (or even higher) against the exports of the seceding country.

So what to do? – Economic modelling is not good at dealing with something as extreme as the break-up of a monetary event. It is not really what models are designed for. However, with some basic assumptions we can attempt to quantify the cost for a weak country that chooses to leave the Euro. We have assumed that a weak country leaving the Euro will see its currency fall by around 60% against the rump Euro bloc. The mass sovereign and corporate default would generate an increased risk premium for the cost of capital – assuming that the domestic

banking system is in any way capable of providing capital. If the banking system is completely paralyzed then the cost of capital de facto increases an infinite amount. In the extreme paralysis of finance, capital is not available at any price.

Banking analysts assume a decline in the volume of trade of 50%. This is based off secession from the EU, and an assumption that there will be some attempt on the part of the rump EU to impose tariffs to offset the currency depreciation of the seceding state. Finally, there is assumption that there is a cost arising from the banking system failure. In this case, with 60% depreciation the central case, we would assume a cost equivalent to 60% of bank deposits in the system. Of course, we are also assuming a run on the banks before secession takes place.

If 50% of current deposits are withdrawn from the system before secession (or before the banking system is shut down in anticipation of secession) we can therefore impose a cost equivalent to 60% of 50% of current deposits. Using the southern European countries as our benchmark, we can therefore come up with a very rough estimate of the cost of departure from the Euro. Taking all these factors into account, a seceding country would have to expect a cost of EUR9,500 to EUR11,500 per person when seceding from the Euro area. It should be borne in mind that while bank recapitalisation could be considered a one-off cost, the cost of higher risk premium and trade stagnation would be borne year after year. So the *initial* economic cost would be EUR9,500 to EUR11,500 per person, and then a cost of around EUR3,000 to EUR4,000 per person would be felt each year thereafter.

The economic argument if a strong country leaves - The cost of a weak country leaving the Euro would seem to be horrified. The base assumption is that if a strong country were to leave, there would be an appreciation of its currency – on the assumption that the strong NNC would be desired (at least by other Euro area inhabitants) as a reserve currency. Certainly if a strong country leaves, we would assume an appreciation of the NNC relative to the rump Euro. Whether the NNC of a strong country also appreciates against non-Euro

countries depends on the extent to which there is capital flight from the rump Euro into the NNC, the degree to which capital controls are imposed, etc.

If we then examine the five consequences of leaving the Euro for a strong currency, we find a slightly different structure emerging: default on domestic debt, collapse of the domestic banking system, departure from the EU, trade and tariffs problems and so what to do? The same problems with modelling apply to a strong country departing as a weak country – this is such an abnormal event as to be all but impossible to simulate with any great certainty.

An exit from the EMU of a stronger country would create severe tensions in rump Euro financial markets, encouraging a flight to quality. This capital flow would trigger a very rapid appreciation of the new currency. Not only would the currency move have a large adverse impact on the country's exports (loss of competitiveness, but also because of the jump in volatility), but also the central bank would lose part of the control it has on the monetary base. If the banking system did not convert Euro loans into NNC, it would be left with Euro assets and NNC liabilities across its entire balance sheet, which would require substantial recapitalisation.

The banking system must convert to the NNC if the NNC is to become the *lex monetæ* of the seceding country. Otherwise Gresham's Law would apply – *bad money drives out good*. Everyone would hoard the NNC and try to pass on Euros to settle all liabilities. Thus, any strong country seeking to secede would have to assume that the majority of its export sector is wiped out in the process. So what is the cost of a "stronger" country leaving?

The same problems with modelling apply to a strong country departing as a weak country – this is such an abnormal event as to be all but impossible to simulate with any great certainty. However, we can make some assumptions about the basic costs. The seceding strong currency is likely to have an appreciation of 40%. This is a conservative assumption, as there would be attempts at capital flight into the strong currency in advance, but presumably in the disorderly circumstances of secession there would be some attempt at capital controls or regulation of the flows.

The domestic banking system would be in urgent need of recapitalisation. This impacts the cost in two ways. First there is an increase in the risk premium. Second, there is the cost of recapitalising banks. In this point everybody are interested in the marginal cost of recapitalising banks – which basically means looking at offsetting the impact on bank balance sheets of the consequences of the appreciation of the NNC. Finally there is the trade impact. Some of the trade effect is captured with the appreciation of the currency of course, and so we are keen to avoid double counting.

However, if a strong economy like Germany leaves the Euro there are non-currency trade consequences. The exit from the European Union raises potential trade barriers and border disruption. Further, the exit causes a growth shock to the rump Euro, which undermines the export potential.

A very conservative assumption says about a 20% reduction in trade. If we take Germany as an example of a stronger country, the combination of these costs works out at between EUR6,000 and EUR8,000 per person if Germany were to leave the Euro. As with a weak country leaving, the recapitalisation of the banking system can be considered to be a one-off event.

However, the legacy of the risk premium and the problems of trade would entail a cost of between EUR3,500 and EUR4,500 per person per year after the initial shock. We can put into this context, if Greece, Ireland and Portugal all defaulted on their debt with a 50% haircut, and the remainder of the Euro area bought all outstanding government debt in the market (including IMF debt), that would generate a cost of a little over EUR1,000 per person in Germany.

The banking system would have sold its debt (at market) to the remainder of the Euro area, which might entail some recapitalization requirements in addition to that, where banks have failed to mark to market existing holdings of bonds. However, the idea that the Euro area purchases all outstanding debt of the three countries and then accepts a 50% haircut can be thought to be a fairly extreme bail-out scenario.

6. Instead of conclusions

Can we invest in a break-up scenario? It is also worth reflecting that the break-up of the Euro and fragmentation of the EU would be a negative shock to Europe's international position. The EU is the largest or the second-largest economy in the world. The separate components of the EU – particularly those from the former Euro area – would be effectively neutered. The economic costs of breaking up the Euro are high, and extremely damaging. The political costs of breaking up the Euro, even in part are too great to quantify in bald cash terms. The analyst's base case for the Euro is that the monetary union will hold together, with some kind of fiscal confederation.

Everybody hope and think how the UK monetary union, and indeed the German monetary union, have held together. But what if the disaster scenario happens? How can investors invest if they believe in a break-up, however low the probability? The simple answer is that they cannot. Investing for a break-up scenario has not guaranteed winners within the Euro area. The growth consequences are awful in any break-up scenario. The risk of civil disorder questions the rule of law, and as such basic issues such as property rights.

Final conclusions

Euro dismantling scenario could lead to unexpected consequences. The Euro area in current structure does not work with current members. Countries cannot be expelled from the euro area, but sovereign states could voluntarily choose to leave the monetary union. It is estimated that the dismantling is not a solution. Instead, a confederation based by common fiscal policy aimed to build a new fiscal discipline is considering. Working tools and techniques should be: (1) economic and monetary integration to ensure financial stability; (2) monetary and fiscal cooperation to ensure improved institutional governance and common fiscal policy.

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Profit Tax Impact on Economic Development in Romania

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Abstract

Fiscal policy of a state must allow to achieve important goals, embodied in economic growth, reduce the unemployment, competitiveness, stimulating the investment climate. An important tool in achieving the objectives set remains the profit tax. This workpaper concerns an analysis of the most important changes incurred by profit/return tax regulation and its contribution in the income budget. The period under review mainly relates to the period 1995-2010, achieving and comparisons between the Romania and the EU case.

Key words: profit tax, tax revenues, economical growth

J.E.L. classification: A 11, H12, H21, H62

1. Introduction

The terms of registration a decline in all economies after 2008, the issue of ensuring financial stability appears to be one of the thorniest. Moreover, public finances have been since evolving an important component of social and economic life of each country and their impact on the national economy is mainly reflected by the distribution of GDP size.

Establishment of public funds on account of taxes and mandatory contributions remains the main solution to the authorities, however, a decline in economic activity inevitably attracts and reduce revenue. Obviously, this leads to an imbalance recording financial recovery, and the solutions are reducing costs and identifying solutions to increase revenue. Unfortunately, in our country, the fiscal measures adopted during the crisis did not

correspond to the phase, effects are often contrary. VAT increase, setting minimum tax (given up after a short period of time) are just two of the negative tax measures in recent years. Moreover, the tax system in Romania has suffered many changes since 1990, which seriously affected the business and discouraged investment. Income tax is an important tool used not only to the State for tax purposes but also economic. In this paper we aim to achieve a brief analysis of changes in corporate tax system and to highlight the correlation between income and tax revenue generated by it.

2. Analysis of profit tax contribution to the formation of budget revenues in Romania

During the legislative regulations regarding profit tax was a sinus one. Implementation of income tax payments broke same time with replacement of the tax benefits payments with benefit realized by economic units.

Very quickly the profit tax was established, but in a form that has created serious difficulties in implementation (there are 67 installments for each one is established a tax rate). Waiver of this has led to the establishment of two tranches and two tax rates (30% and 45%). Since 2005 they started to flat tax of 16% currently used.

But corporate tax reform has not the same objectives over time, often they are not realized (for example, granting a tax exemption from taxation as income in different periods of stimulation of private sector concerned, but the effect was stealing, legally "from taxation for such intervals; abolition applied through the 67 shares of small and medium enterprises aiming at

stimulating effect, they have gone from a tax of 5% to 30% each in while large firms fell within 45% minimum tax aimed at cleaning up introduction economy companies which were running any business and economy decrease, resulting in bankruptcy of many small business entities, increasing unemployment and public expenditure in question implicitly the registration of obvious inequities when the same level of profit tax is paid differently, and the examples can continue).

Although the most common measure was adopted to reduce tax rates, there are disparities from one period to another between the levels of these shares.

Supporting economic growth in 2005-2008 was achieved mainly through taxes decreasing on labor quiescence, on the capital, by reducing social security contribution rates in order to eliminate the underground economy.

Based on these considerations was adopted also the proportional share of 16% for tax on most individuals income and for profit tax in the hope that such a quota level will increase the tax base by developing existing businesses by increasing foreign investment so direct.

On a recent time, tax law changes have regard to the continuous reduction of exemptions and exemptions granted to pay taxes and duties, in order tension easing businesses, stimulate private initiative, encouraging the unregistered economy to surface, improving competition and broaden the tax base.

3. Evolution of income tax determined by applying tax profit in Romania

The evolution of the state budget revenues from profit tax of Romania, as its share in total revenues are reflected in the table. No.1.

Table no. 1 The share of total corporate tax revenue collected to the state budget, during 1995-2010

Year	Tax profit mil. lei	Total revenue mil. lei	The share of tax profit in total revenue **
1995	279,13	1.288,83	21,66
1996	351,73	1.837,28	19,14
1997	1.063,89	4.383,45	24,27
1998	1.084,56	6.721,55	16,14
1999	1.664,56	9.323,98	17,85
2000	1.992,70	12.034,20	16,56
2001	2.199,10	14.820,90	14,84
2002	2.997,90	17.920,60	16,73
2003	4.368,10	25.244,70	17,30
2004	6.441,60	32.195,40	20,01
2005	6.495,30	36.599,50	17,75
2006	7.905,47	40.698,11	19,42
2007	10.528,80	48.984,60	21,49
2008	13.528,80	61.151,00	22,12
2009	10.617,10	56.434,80	18,81
2010	10.090,90	68.050,70	14,83

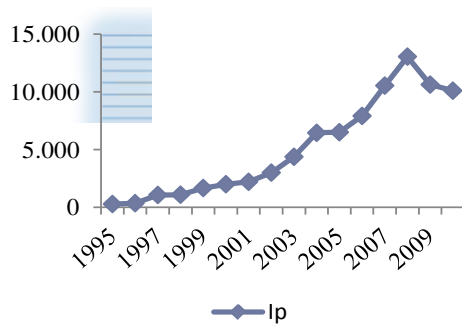
Source: www.insse.ro, mfinante.ro

** Own calculations

Analyzing the data in Table. 1, we can say that fluctuations in the share of total corporate tax revenue growth is due to frontload the size of profit tax by increasing the total revenue collected to the state budget, which shows the orientation of the state to indirect taxes despite of direct taxes, while being and the result of fiscal measures adopted. On average, in the period studied, this ratio is 18%. Although since 2005 the profit tax rate was reduced by 9% (from 25% to 16%) the the state budget revenues collected under this head increased by 53,7 million lei, while total revenues increased by 4404,1 million lei, which led to lower share of total corporate tax revenues by 2,26% over the previous year, when there was a level of 20,01%.

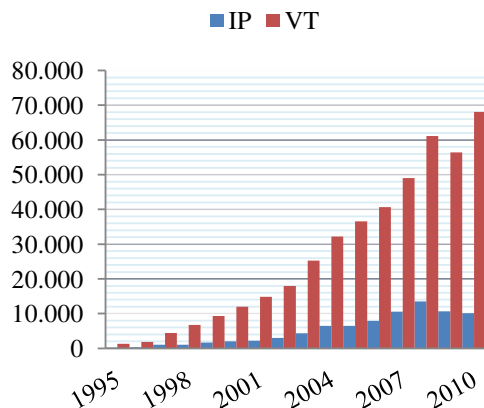
Evolution of revenues from income tax collection shows an increasing trend over the interval 1995-2004, when there is a stagnation (growth is insignificant in 2005 compared to 2004, ie 0,83%), followed by a sharp increase until 2008, embodying the period immediately following a significant decrease (figure no. 1).

Figure no. 1 The incomes evolution of tax revenue during 1995-2010



Graphical representation of developments in tax revenues caused by tax profit and the total revenues collected to the state budget in the period 1995-2010, shows the trend of decreasing mentioned above. It is observed that tax revenues have experienced a decrease in the period 2008-2010 to 4,96% while tax revenue fell by 12,66% in 2009 compared to 2008 but increased by about 2 percent in 2010 compared to same period (figure no. 2).

Figure no. 2 Evolution of total income and incomes from tax profit



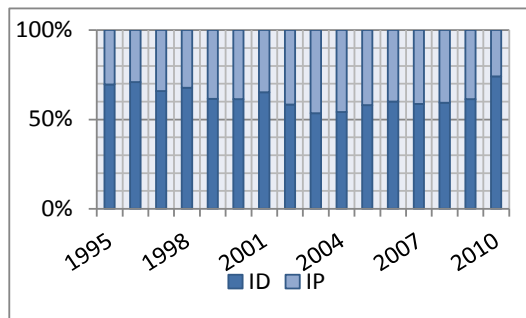
An relevant analysis implies also monitoring of development involved by the ratio of tax revenue due to tax revenues and revenues resulting from direct taxes, but also the revenues from direct taxes in total tax revenue (table no. 2, figure no. 3).

Table no. 2 Share of direct taxes and profit taxes during 1995-2010

Year	The share of direct taxes in fiscal revenues	The share of tax profit in fiscal revenues	The share of tax profit in direct taxes
1995	50,91	22,41	44,02
1996	48,69	20,07	41,22
1997	51,22	26,56	51,85
1998	37,43	17,87	47,75
1999	31,24	19,58	62,67
2000	27,51	17,42	63,32
2001	29,97	16,02	53,45
2002	24,94	17,87	71,63
2003	21,27	18,51	87,03
2004	25,07	21,29	84,92
2005	25,95	18,81	72,47
2006	30,99	20,68	66,72
2007	33,31	23,48	70,51
2008	34,49	23,65	68,57
2009	34,83	22,05	66,55
2010	26,38	17,92	67,93

As regarding the share of direct taxes in tax revenue, after studies made, we found that, unlike the first period of time under review, when the share of direct taxes in tax revenue amounted to about 50%, time 2000-2005, direct taxes accounted for on average 25% of tax revenue in 2010 reached a level of 26,38%. Moreover, the direct taxes have been surpassed by indirect taxes both as a share of GDP and as a share of revenues collected in the general consolidated government budget. This trend can be explained due to diminishing tax base due to economic fluctuations and reduce tax rates for direct taxes. Moreover, the strong correlation between direct taxes and the economic situation determine the orientation of the state to a reliable source of income, consumption tax, respectively, which is more accessible in terms of convenience and relatively low cost of collection.

Figure no. 3 The share of direct taxes and profit taxes in tax revenues



These developments occurred due to changes caused by legislative changes, Romania reaching a quota of a 6th place position in the EU 27 in order of increasing tax rates (table no. 3).

Table no 3. Three statutory corporate tax rates of companies in EU Member States, 2011 vs. 1995

Years	1995	2011
Belgia	40,2	34
Bulgaria	40	10
Cehia	41	19
Danemarca	34	25
Germania	56,8	29,8
Estonia	26	21
Irlanda	40	12,5
Grecia	40	20
Spania	35	30
Franța	36,7	34,4
Italia	52,2	31,4
Cipru	25	10
Letonia	25	15
Lituania	29	15
Luxemburg	40,9	28,8
Ungaria	19,6	20,6
Malta	35	35
Olanda	35	25
Austria	34	25
Polonia	40	19
Portugalia	39,6	29
România	38	16
Slovenia	25	20
Slovacia	40	19
Finlanda	25	26
Suedia	28	26,3
Regatul Unit	33	27

The share of profit tax in total tax revenues in the EU27 in 2009 was on average 7.8%, by 1.4 percentage points less than in 2008. In the same year the highest level was

registered in Malta (19,6%), while the opposite was Germany (1,7%). In the EU, compared with 1995 the most significant development of this indicator was registered in Malta, where the gap was 9,8 percentage points (from 9,8% in 1995 to 19,6% in 2009) and the opposite was Slovakia, where the difference was -6.3% (from 15,0% in 1995 to 8,7% in 2009).

Among countries with a high share of profit taxes in tax revenue last year from the time of analysis it is included Malta (19,6%), Luxembourg (14,7%), Cyprus (18,4%) and Czech Republic (10 , 5%). One of the reasons for these differences is the application of reduced rates for profit tax in most states which joined the EU in 2004. Among the countries that joined in 2004 and 2007 and have basically a low corporate tax rates of profit fall: Cyprus (10,0%), Latvia (15,0%), Lithuania (15,0%) , Poland (19,0%), Czech Republic (19,0%), Slovakia (19,0%), Bulgaria (10,0%), Romania (16,0%). In 2011 the average statutory corporate profit tax rate in the EU27 was 23,1% .)

It is clear that the policy of reducing the statutory corporate tax rates are not the only way to reduce the high tax burden on economic operators. During the transition, most countries that joined the EU in 2004 have introduced numerous exemptions, the most significant being the exemption from profit tax to attract foreign direct investment and set up within these special economic zones, which offered financial incentives to iforeign investors.

4. Analysis of profit tax impact on economic development in Romania

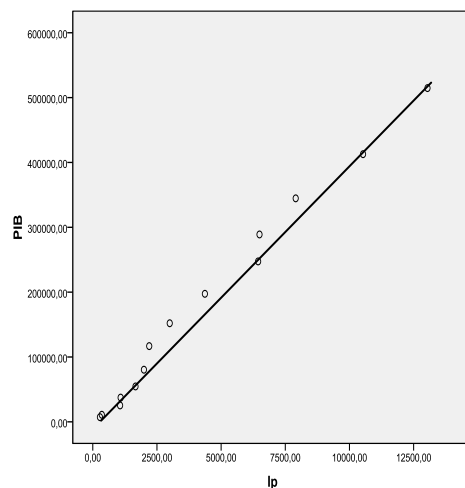
Economic growth is an important objective of any government, because it is focused on improvement the degree to satisfy human needs and the whole human society. In Romania, growth fluctuated from period to period, 2009 and 2010 embodying significant negative values (Table no. 4).

Table no. 4 Economic growth and tax burden in the period 1995-2010

Year	Real GDP	The fiscal pressure related to compulsory levies
1995	7,1	22,61
1996	3,9	21,21
1997	-6,1	20,29
1998	-4,8	21,67
1999	-1,2	21,54
2000	2,1	20,07
2001	5,7	17,61
2002	5,1	17,06
2003	5,2	18,34
2004	8,3	17,99
2005	4,2	17,97
2006	7,9	16,85
2007	6,3	16,63
2008	7,9	16,82
2009	-8	19,65
2010	-1,3	19,88

The correlation between income tax and GDP can be evidenced by a regression equation. A first step in the regression analysis is the construction and interpretation of the graph (Figure 5) using the SPSS statistical program processing.

Figure no. 5 The bound between PIB and tax profit



It is noted that the two variables are directly related, as demonstrated by the value of correlation coefficient and the value of determinative ratio:

Model	R	R Square	Adjusted R Square	Std Error of the estimate
1	.994	.987	.986	1,9047E

3. Conclusions

In this paper we have focused on statistical analysis of the structure and dynamics of direct taxation in Romania with direct reporting to tax, making a comparison with other European Union member states for the period 1995 to 2010. From the analysis made we can identify the trend of tax revenue generated by our country, which can be explained by the many tax breaks granted during the 90's, economic decline, reduced tax rate and tax measures adopted by the effects caused negative.

The problem of contradiction between the growing need for budgetary revenues, on the one hand, which entails a continuous amplification of taxation, and on the other hand, the need to stimulate the development of economic activities, which however can not be achieved without them have more substantial resources to thrive in an environment increasingly competitive, is one of the thorniest points of the fiscal-budgetary policy of any state. The State must consider the fact that direct taxation produce a variety of effects, particularly on administrative and organizational structure of companies and the results achieved by them, and that their stimulation, especially in difficult times of economic can not only lead to economic development.

We believe that the role of taxes in Romania are still major based on taxation (in order to cover public expenditure) without being given the role of intervention and regulation in the economy. The relatively high number of implicit taxes generate higher fiscal pressure, their collection is difficult, and regulations are lengthy, cumbersome and especially unstable.

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The Reflections of Risks and Uncertainties within the Enterprise's Performance –Provisions, Contingent Assets / Debts in Public Institutions

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Abstract

The qualitative characteristics of financial data also entail the limitations of presenting the accounting information, limitations regarding the appropriate presentation that would not result in neither losing the relevance of the information by delaying the presentations nor losing the credibility due to a too expeditious presentation, a cost effectiveness ratio and finding a balance among the qualitative characteristics. Financial reports are not limited to a narrow presentation of the current/previous year data, but they constitute the foundation of the processes and phenomenon analysis that occurred, of the way causes and effects are highlighted, the way measures of controlling the activity are taken, programmes are elaborated and decisions are made.

The present paper is based on the legal framework analysis, highlighting the transgression of specific legal norms of recognizing presumptive debts in practice. This action aims at completing the legal framework by bringing the notions of contingent assets/debts to foreground.

Key words: Predictive value, confirmation value, opportunity, provision, contingent asset, contingent debt.

J.E.L. classification: M41

1. General background

Respect for the principle of prudence is perfectly adapted to the principle involved in taking risks: better less rich today than very poor tomorrow [1].

Unlike depreciations that correspond to impairments regarding certain assets, provisions correspond (in principle) to

liabilities whose deadlines are not precisely set.

By means of prudence, which is a principle cherished by the Accountant, these inaccurate liabilities are covered in advance by current revenues; the Accountant thus avoids having them involved in the accrued expenses and the present uncertainties being transferred in the future [2]

„In financial theory, the risk represents the variability of the result under the pressure of the environment „[3]

The insufficient knowledge and consequently a defective evaluation of risks directly affects the final result of the activity undergone, possibly leading to errors.

It is necessary to make a distinction between error and inaccuracy.

The risk must be separated from inaccuracy, but the existence of inaccuracy does not justify the formation of provisions.

Thus an important preventer that the management disposes of, the evaluation being subjective, may lead to the inadequate use of provisions for recording losses the year they are formed and revenues the year they are re-engaged.

The basic concepts in financial accounting, the continuity of activity and the accrual accounting allow making forecasting under risk and uncertainty conditions.

The elements that create a connection between the accrual accounting and cash accounting (provisions, adjustments, depreciations, equalization operations, expenses to be allocated), generally known by the term of *accruals*, reflect the managers policy and can be a two edged sword: on one hand it reflects the opportunistic administration of the result and on the other hand it integrates the possible effects of this uncertainty within this policy [4]

Taking into consideration the management or the professional accountant reasoning, the evaluation of the provisions is submitted to

risks and uncertainty that inevitably affects a series of events and circumstances.

In practice there is a tendency to treat provisions only in terms of fiscal facilities, as long as they are tax-deductible, a procedure not included in public accounting, which led to their

In the present context, everything is reduced to the professional accountant's capacity of correctly evaluating and presenting these risks within financial statements.

2. The accounting treatment of provisions according to the international accounting standards for public sector

According to international accounting norms for public sector:

The provisions represent undetermined debts regarding their deadline and value.

A provision will be registered in accounting if the following conditions are met:

- a current implicit liability generated by a previous event;

- there is a possibility that a resource disposal incorporating economical benefits or presumable services to be necessary for the discount of that certain liability;

- a credible estimation of the liability's value can be made.

The value recognized as a provision represents the best estimation of the necessary expense for the discount of the current liability, which is the same value the enterprise would rationally pay for the discount of the liability at the end of the reporting period or for its transference to a third party at that time.

The objective of the IPSAS standard 19 *Provisions, contingent debts and contingent assets* is to ensure that the evaluation baseline and the accreditation criteria are adequately applied to contingent provisions, debts and assets.

The way of reflecting the risks regarding payments derived from litigations (IPSAS 19 *Provisions, contingent debts and contingent assets*, Annex C)

I. At an official lunch from 2004, ten deaths were reported, possibly due to intoxication with food sold by a restaurant in

a public museum (the reporting entity). Legal procedures were initiated against the entity to claim for damages, but the entity denies its responsibility. The entity's lawyers believe that the entity might no longer be found responsible by the time the annual financial statements are to be approved for issuance at 31st December 2004. However, the lawyers believe that it is possible that the entity would be declared responsible by the time the annual financial statements are issued in 31st December 2005 due to process evolution.

Analysis

a) At 31st December 2004:

The current liability generated by a previous event obliges to:

Based on the available proof at the time the financial statements are approved, there are no liabilities generated by a previous event.

Conclusion

The museum does not recognize any provision. A contingent debt is recognized, except the situation in which the probability of an issuance is very low.

The provisions are to be re-analyzed at the end of each reporting period, since it is necessary that they are adjusted to reflect the best current estimation.

b) At 31st December 2005

The current liability generated by a previous event obliges to:

Based on the available proof, there is a current liability.

It is possible that there are resource disposals incorporating economical benefits or presumable services, necessary for the liability discount

Conclusion

The provision that has the best estimation of the necessary amount to honor the liability is recognized.

II. The legislation imposes the introduction of smoke filters

According to a new law, starting with 30th June 2005, the local state entity is compelled to equip its public office buildings with smoke filters. The entity did not introduce the smoke filters.

a) At 31st December 2004 reporting date

The current liability generated by a previous event obliges to:

There is no liability since, according to law, there is no event that entails filter equipment costs or penalties.

In conclusion there is no provision to be recognized for the costs of introducing smoke filters

b) At 31st December 2005 reporting date

The current liability generated by a previous event obliges to:

There is no liability associated with the costs of the smoke filter equipment since there is no compelling event (for the filters equipment)

However, according to law, the obligation to pay a penalty may appear due to the occurrence of a compelling event (refusal of conforming to dispositions regarding public buildings).

The resource disposal incorporating future economical benefits or presumable services, necessary for the liability discount.

Evaluating the probability of receiving penalties and fines due to refusal of conformation depends on the law stipulations and on the promptitude of its application.

Conclusion

There is no provision to be recognized for the filter equipment costs.

However, a provision is recognized for the best estimation of the costs associated to each presumable fine and penalty.

If we were to speak about the European framework in France, the law from 2002 regarding the new economic regulations compels the marketable enterprises to include in their annual report information concerning the way in which the enterprise takes into consideration the social and environmental consequences of its activity.

At European level, the consolidated statements included in the annual report must present a description of the main risks and uncertainties (Directive 2003/51/EC of European Parliament and of the European Union Council of June 18 2003, that modifies Directives 78/660EEC and 91/674 EEC, file:///GI/EUR-Lex-Recherche/simplebgvv.htm); by comparison, IASB economic agents does not compel, but recommend enterprises to present this kind of financial statement.

Although a resources disposal incorporating economic benefits is not necessary for the liability discount, the provision must be continued in revenues.

A provision that no longer has an object cannot be used for any other event, even though it involves the same value.

An important issue is the case in which it is estimated that a part or total provisions expenses will be reimbursed by a third party.

We can talk about reimbursement only the moment we can be assured that the sum will be received, it will be treated as an asset and cannot exceed the provision's value.

IPSAS 19 *Provisions, contingent debts and contingent assets* also defines the terms of contingent debt and contingent asset/

The contingent debt is presented to be

-either a possible liability, which appeared due to past events and whose actual existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, that cannot be fully controlled by the enterprise;

-or as a current liability, which appeared due to past events but is not recognized because there is a presumable necessity of resource disposal incorporating economic benefits or services for the discount of this liability or because the liability's value cannot be sufficiently credibly evaluated.

A contingent asset is defined to be that possible asset that appears due to previous events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that the entity can fully control.

3. The accounting treatment of provisions according to national reference framework

The national accounting framework regarding commissions is close related to the international accounting norms.

The provisions are designed to cover the debts whose nature is clearly defined and are expected or will certainly appear in the balance sheet, but which are uncertain in terms of value and placement in time.

The provisions' value cannot exceed the sums that are necessary for the payment of the current liability on the date the balance sheet is issued. Provisions cannot be used for the adjustment of the assets' value.

The most recent national accounting regulations regarding provisions

Based on the principle of prudence, the elaboration of financial statements must include an evaluation made prudently, taking into account all the predictable debts and

potential losses that occurred in the current or previous financial year (even though they become apparent only between the balance sheet date and its drafting).

The three conditions for recognizing a provision according to international norms have been also assumed by the national accounting norms:

- an institution has a current liability generated by a previous event;
- a resource disposal is probable for the payment of that certain liability; and
- a credible estimation of the liability's value is made.

Provisions are constituted for elements such as (Order of the Ministry of Public Finance 1917/2005):

- litigations, fines and penalties, damages and other uncertain debts;
- expenses associated with service activity within the guarantee period and other expenses associated with guarantees granted to clients;
- other provisions.

A provision is registered the following way:

$$6812 = 1511$$

"Operational expenses regarding provisions" = "Litigations provisions"

In case the payment of a liability is no longer probable, a disposal of resources or the disposal of resources has been made, the provision must be cancelled by its re-inclusion in the revenues the following way:

$$1511 = 7812$$

"Provisions for litigations" = "Revenues on provisions"

Recommendations

Our advice is that the financial statements' annexes be completed by the provisions statement that clearly highlights

- the value of new provisions
- the re-inclusion in the revenues, the cancellation of provisions
- the adjustment of provisions
- the value of the paid provisions.

The provisions are different from trade credits, engaged but unpaid expenses, due to their uncertain nature regarding the execution or the value of the future expenses necessary for their payment.

The legal framework thus needs to include articles regarding the constituency of provisions in case of restructuring the public institutions.

4. Accounting treatment of contingent assets and debts according to national framework

The registration into account 8067 Legal accruals is made within the limit of the approved budgetary credit.

Therefore salaries and other legally earned personnel rights are registered both in financial and accrual accounting within the financial year they are due to be paid in the limit of the approved budgetary credit on this purpose; since they are not registered as debts, we recommend that the normative framework states their constituency as compulsory.

Litigations provisions will be reported in the "Balance sheet" (code 01) under non-current debts, at raw 55 "Provisions", representing the best estimation of the necessary costs to pay the current liability at the date the balance is issued.

The registration of provisions will be made under account 1518 "Other provisions" for the "environmental tax" expenses that will be cleared according to the Government Act no. 448/2005 regarding the waste from electrical and electronic equipment with subsequent completions, for the assets that are going to reach their end of life in the near future, these sums being correlated with the registrations under account 151 "Provisions".

Currently the green stamp tax included in the purchase of working inventory, purchased fixed assets, representing a irrecoverable tax is embedded in their cost.

Similarly, we recommend that creating provisions for penalties of sums that the state owes to third parties and did not pay in time becomes compulsory.

But in case it is not a sure thing that processes will be lost an the conditions for recognizing a provision are not met, public institutions do not present this kind of information.

Therefore we consider that the completion of special accounts with 2 such accounts – one reflecting contingent debts and the other one reflecting contingent assets – would be a pertinent decision.

5. Conclusions

The national accounting framework has picked up some of the principles of the international accounting norms concerning the accounting policies.

One of the necessary conditions is the insurance of financial data comparability by means of making the accounting policies and their changes available for the information users.

The accounting result is, fundamentally, an “uncertain” number (Casta, 2000). Always precise, calculated to the last euro cent, it is often uncertain.

We also want to remind that according to Auguste Comte (*Cours de philosophie positive*, 2e L., I., p. 56), “Precision and certainty are two qualities intrinsically different. A totally absurd sentence can be extremely precise, so to say, for example the sum of a triangle’s angles equals three right angles; and a very certain sentence may only contain a very mediocre precision: for example, the affirmation that every human being will die” [5]

We cannot certainly claim that a result is more objective than other as long as we can apply several solutions for the same situation, leading to different consequences regarding financial statements and accounting result.

If we choose a solution we implicitly abandon another one. Different accounting options used in the case of re-evaluation, of depreciations and provisions lead to different financial results even though the management conditions are identical.

We can no longer analyze accurately an entity’s performance based on its financial statements if we do not know in detail the adopted accounting policies.

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The Role of Leisure Activities in the Revival of Romanian Tourism Industry

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Abstract

This paper is trying to identify the importance of leisure activities in revival of Romanian tourism industry. Many important destinations have understood the role of the leisure industry as a dynamic factor in tourism circulation.

As a main component of the tourism economy, the leisure activities have determined a boost in the tourism circulation, by offering a variety of enjoyment opportunities. Taking into account the experience of famous destinations, Romanian tourism can learn from this by developing and diversifying the different leisure segment.

Key words: tourism, leisure, development, circulation, opportunities

J.E.L. classification: L83

1. Introduction

The role of tourism industry nowadays is undeniable, as a major sector of world economy. The fast development and the initiative taken have increased, in a large proportion, the activity of countries. The influence and contribution of tourism to GDP, the growing number of employments in tourism segment, the improvement of education, culture, and many others are underlining the importance of tourism as one of the principal methods to increase every country's general economic benefits.

In the globalization era, tourism becomes an alternative to many economic sectors, which has deeply suffered from the world crisis. Adapting to a variety of costumers has generated the creation of niche markets usually with the particularization of the leisure services offered. As a result, the specialization has been integrated in the

services offered and therefore the destinations are fructified as a whole *tourism experience*. In this context, some of the famous destinations have reinvented their leisure activities and others have created the framework for tourism development and after crisis solution. In this category, it can be included most recent tourism initiatives from Dubai, Macao, Singapore, Hong Kong, and so on.

2. International leisure tourism trends

The perspectives of tourism and travel activities have influenced people around the world, being oriented to enjoyable activities and recreation. The political and economical aspects of society have had a specific influence over the past years, as every country has tried with big efforts to maintain a positive image on the global tourism. The components of the tourism industry are changing dramatically, with more and more new ingredients, with new concepts, or classical ones, but adapted to other sectors, for instance, the *boutique hotel*, and the influence, the *boutique cruise*, or the *theme parks*, and the result the *theme cruise*, etc.

The context of globalization can be identified in tourism as a sum of different trends [2]: easy access to information; the degradation of environment; the increase of travel and tourism; the aging of population; the change of tourist's mentality toward consumption; the appeal of new forms of tourism; the intensified trips such as *short breaks*, and *long haul* destinations, and of course many more tendencies. This has turned into a worldwide race for the best destination, and the most competitive one.

An overview of world tourism industry has brought a series of surprises in the case of tourism arrivals and also the tourism receipts. [5] In the following table are presented a list

of touristic regions and their evolution regarding these factors.

Table 1: The International tourism arrivals
mil pers.

	2008	20	2010
Total	917	88	940
Europe	485,2	46	476,6
Asia	184,1	18	203,8
America	147,8	14	149,8
Africa	44,4	46	49,4
Middle East	55,2	52	60,3

Source: www.unwto.com

As it can be seen, the evolution of tourists' arrivals has a positive trend in all the presented regions, with different proportion that determine the future tourism initiatives and actions. *Europe* is maintaining the first place, being the most visited destination, followed by the *Asia-Pacific* region, *Americas*, *Middle East*, and final *Africa*.

It is interesting to notice, the fact that all of these has recover from the 2009 crises, with values that overcome the peak points obtained in 2008, with the exception of Europe, that has registered a smaller value in 2010 in comparison to 2008.

Table 2: International Tourism Receipts
billion euro

	200	200	2010
Total	640	610	693
Europe	322	294,	306,4
Asia	142,	145,	187,6
Americas	127,	119,	137,4
Africa	20,5	20,6	23,9
Middle East	27	30,1	37,9

Source: www.unwto.com

The receipts are following the same ascendant trend, with increased results for each region. It can also be seen, that Europe is the only one that has, in 2010 receipts with minor numbers than in 2008.

One of the most spectacular revivals in tourism activity is represented by Asia Pacific region, with destinations that

constantly improving the tourism infrastructure, and especially the leisure one.

Table.3: The arrivals in Asia-Pacific
mil pers.

	2008	2009	201
China	53,04	50,87	55,6
Malaysia	22,05	23,64	24,5
Hong	17,32	16,92	20,0
Thailand	14,58	14,15	15,8
Macao	10,61	10,40	11,9

Source: www.unwto.com

These destinations are becoming more attractive by implementing a large spectrum of leisure activities, as a consequence of consumers' demand. The new tourist is an active one that has more free time and wants to manage it properly. Tourists, nowadays, are interested in experiencing tourism rather than be a spectator to different touristic activities.

They are searching for *tailor made* services, for a multitude of leisure services, transforming the concept of *relaxation* to an *entertainment* one. Therefore, the new costumer must be attracted by the particularly settings of the destinations and it implicates a special concern of tourism administrations units. To answer these demands, the offers have increase their opportunities for entertainment, by developing types of leisure into types of tourism, such as: *sport tourism*, *event tourism*, *theme park tourism*, *cruise tourism*, *shopping tourism* and so on.

For example, **Macao** has reinvented itself by catering for gambling customers. The new born resorts hotels and casinos have overcome the image of Las Vegas, as many of the costumers of the latest were Asian, and the proximity of Macao to the Asian market is obvious (the major percent of tourist are coming from the mainland China-80% [1].)

Another example is the **Hong Kong** that has invested in creating the *Hong Kong Disneyland* following the success registered by Tokyo Disneyland, representing itself a motivation for travel, especially for the Asian market. Hong Kong is also known for the cruising activity, representing a significant port of call for numerous cruises.

China is also an example of leisure development, with two new improved

destinations, as Shanghai and Beijing. The famous *Shanghai Disneyland*, *Shanghai National Holiday Resort*, *Shanghai Happy Valley* (a theme park that incorporates restaurants, gardens, shopping facilities, etc.) and of course, other opportunities for fun are changing the way this is positioned in the eyes of the consumers - a new type of offer for new and experienced clients.

These few examples present a perspective for tourism trends and therefore a more compressive idea about the successful infrastructure for tourism- the leisure one. More and more the leisure industry has intersected with the tourism one and destinations are now known for the leisure services offered, for instance:

- Las Vegas (USA), Monte Carlo (Monaco), Singapore – gambling
- Milan (Italy), Dubai (UAE), New York (USA), Hong Kong, Bangkok (Thailand) – shopping
- Chamonix (France), Innsbruck (Austria), Cortina (Italy), Aspen (USA) – skiing
- Caribbean region – cruises, etc

Over the years, tourism has become the most important economic activity, with *contributions of tourism to GDP*, for some destinations, which overcome the percent of 50, such as [6]: Antigua and Barbuda (57%), Aruba (71, 7%), Bahamas (74, 7%) - Caribbean Sea. Regardless of the tourism success, or the natural potential any country can reposition it's imagine being more conscious in addressing the new costumers with special services based on a variety o leisure opportunities.

In conclusion, the international experience can provide to the Romanian tourism with the scenery for economical development and crisis solutions. The concerns involved are in regarding to the lower number of arrivals, but also the lack of implication of the public and private sectors.

3. Opportunities for Romanian Tourism Revitalization

Romanian tourism is well-known for the rich traditions and culture, unique destinations that provide an interesting travel experience. Its main interest points are the *Danube Delta* – home for the multitude of bird species, *Black Sea Resorts*, *Medieval*

Towns, *Carpathian Mountain Resorts*, *Monasteries*, etc. The famous objectives are a permanent attraction for foreign tourists, but the deficiencies in the tourism infrastructure, tend to undermine the effort of tourism promotion and more than that, the tourism circulation. This is a typical example of an imperfect valorizing of a large tourism potential, taking into consideration the opportunities for tourism development in Romania. To illustrate this purpose, there are presented the main indicators for tourism activity:

The number of tourists' arrivals in Romania (mil pers.)

	2010		
Romania	All	Romanian	Foreigners
	6,08	4,7	1,3
Seaside	0,7	0,67	0,31
Spas	0,57	0,55	0,02
Mountains	0,81	0,72	0,09
Danube Delta	0,06	0,05	0,01
Bucharest and important cities	3	1,9	1,1
Other localities	0,9	0,76	0,14

Source: www.innse.ro

The picture underlines the necessity for raising tourism awareness in report to other destinations and the strategies which have transformed their tourism potential. The most important action must consider the development of the major tourism services and equipments - the accommodation, the food and beverage, the transport and the leisure.

The enhancement of tourism industry in Romania is strictly conditioned to the adaptation of services to the international markets. In response to the international context of tourism, but also the intentions to proper recovery from the economic crisis, some strategies can be undertaken:

- In the beginning, it is impetuous to create and modernize the tourism infrastructure and especially the leisure one;

- The diversifying of leisure services offered for the general public and for niche segments;
- The usage of unexploited other leisure resources in order to create new forms of tourism;
- The involvement of specific Romanian leisure practices in the services offered;
- The adaptation of leisure equipment for the indoor as well as the outdoor, for a permanent tourism circulation;
- The integration of more seaside resorts in the *blue flag* program, with the responsibilities and consequences involved;
- The increase of water sports programs for all types of ages;
- The rearrangement and redefinition of the touristic routes marks;
- The improvement of the ski areas, and the lift endowments, and the accessibility to the mountain areas;
- The creation and consolidation of non ski leisure activities, for the tourists that are not skiers, but are looking for fun and excitement in the mountain resorts;
- The variation possibilities for winter sports by using artificial snow and also promoting the grass ski practice and the investments in this type of activity;
- The adjustments of the accommodation units with the leisure activities offered by resorts;
- The exploitation of the spa resort, not only for treatment, but more important for maintaining the physical condition, the anti ageing prophylaxis, the quality of life, etc.;
- The development of spa hotels or resorts that caters for a luxury segment of clients in regarding to the well being, and rejuvenating techniques, based on the high potential of the mineral and sulfurous waters existing in Romania;
- The promotion of the unique destinations such as Danube Delta, by offering a variety of leisure attractions;
- The initiation of cruising itineraries from Romanian seaside and Danube to international circulation;
- The creation and promotion of new mega leisure opportunities such as theme parks, revitalization of casinos;
- Organizing a variety of events with global appeal such as festival, concerts, races, etc.;

- The development of human resources and in consequence the animators;
 - The enhancement of tourism information centers, and the implication of public and private sectors;
 - The intensification of the promoting activities for the domestic and the international tourism;
 - Promoting and consolidating the Romanian tourism brand in valid connection with the specific of traditions and customs;
 - Creating tourism packaging that are focusing on the leisure services;
- All of these are small initiatives to develop the leisure services because they determine a growth of tourism circulation, offering a multitude of fun and enjoyable ways. Destinations worldwide have understood the necessity of leisure services and the role they play in the development and revitalization of the tourism industry, being a successful example for the Romanian market.

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On the Competitiveness, between Inputs and Outputs. Romania's Case in the EU

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Abstract

This paper is observing the effectiveness of the amounts spent by the Romanian Government in supporting and promoting Romanian economy's competitiveness, through the evolution of specific indicators.

While the efforts in terms of expenditures for increasing the competitiveness can be possibly measured by the afore mentioned indicators, the economy's posture is not evident thus some proxy measurements must be formulated.

We then calculate the correlation between spending (in Education, R&D, Innovation) and ranking on competitiveness in the EU and even worldwide.

We find that there is a weak correlation between the two terms, indicating that the funds could be better employed elsewhere.

Key words: competitiveness indicators, Innovation, R&D

J.E.L. classification: H50

1. Definitions

Defining competitiveness: we begin with an obvious definition of the competitiveness at the national economy level, as the capacity to compete in the global market or to manage to improve the wellbeing of the citizens compared with other countries.

It is a RELATIVE indicator because the competition is a relation with others, the competitors. Naturally, the competitiveness cannot exist in a vacuum so we need to check results against the performance of others.

2. Measuring efforts in increasing competitiveness in Romania

In order to find what were the amounts spent to increase Romanian economy competitiveness; we start with data from the Management Authority for the Sectorial Operational Program for Increasing Economic Competitiveness (abbreviated POS CCE). Its activity has five branches grouping various aspects of the ventures it chooses to support. There is a guide for applicants and, purportedly, any Romanian company can apply in order to obtain funds from an EU programme source. Approved in July 2007 by the European Commission, the Operational Program for Romania in view to increase competitiveness has had a budget of 3 bln Euro, out of which 2.5 bln European funds.

The beneficiaries are listed on the public website; data is displayed for 2008, 2009, and 2010 up to April 2011. The total assessments granted is 1,908,619,527EUR, with 339,695,277 EUR actually handed over between 2008 and 2011. The average exchange rate between EUR and national currency is considered at 4.1035lei/1Eur. Both the approved and the effectively drawn amount are listed. As seen in the table 1, significant funds were not drawn in 2011, showing an effective success rate of 38.28 in attracting EU funds and a rate of 17.80% paid out. This is compounded by the very short time series that could be derived. With only 2008 to 2011 reported, it seems difficult to believe that these funds, that can be viewed as subventions have had any time to show effects and the program will stop in 2013. As an addendum, we mention that the rate of success funds effectively drawn/funds allotted is 13.30% only.

Table 1 EU funds absorption for increasing competitiveness program, 2008-2011

Allotments of EU funds 2007-2013, POS CCE		Number of projects 2008-2011					Value (lei)					Value (EUR)		Rate of success(%)	
EUR	LEI	In competition	Accepted	Outgoing	Approved	EU financing	National Budget	Non-eligible value	Own contribution of the beneficiary	Total value (lei)	Effectively paid (lei)	Total value approved for financing (EUR)	Effectively paid (EUR)	Rate of absorbed EU funds, out of allotments	Rate of approved projects, out of financing
2.264.222.189	10.481.258.424	8.496	3.515	1.949	2.237	4.812.308.019	888.067.103	1.506.568.458	1.406.557.515	7.632.026.230	1.383.839.578	1.993.619.527	338.695.277	38,28	13,30

Source: POS CCE [7]

The Romanian Institute of Statistics (INSSE) publishes several indicators clustered under the heading of competitiveness. We consider those indicators as being quite indirect numbers

that start suggesting the real picture and that they are to be taken with caution and paying heed to the caveats.

Table 2 Romanian R&D and public Education expenditures 2000-2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (billion Lei)	80,3	116,7	151,4	189,1	238,7	287,2	342,4	404,7	513,0	499,5	504,2
R&D expenditures (billion Lei)	0,2971	0,4551	0,5753	0,7375	0,9309	1,1775	1,5408	2,1044	2,9756	2,3475	2,3697
R&D expenditures, as % of GDP	0,37	0,39	0,38	0,39	0,39	0,41	0,45	0,52	0,58	0,47	0,47
Public education expenditures (billion Lei)	2,5696	4,4346	6,3588	6,8076	8,8319	10,3392	14,7232	17,4021	22,5735	21,4774	23,1929
Education expenditures, as % of the GDP	3,2	3,8	4,2	3,6	3,7	3,6	4,3	4,3	4,4	4,3*	4,6**

Sources: INSEE, CNP and *Romanian Ministry of Education, Ministry of Finance, 2000-2010

It is also mentionable that only some limited aspects of the competitiveness are taken into consideration, that is four indicators (Innovation, public Education expenditures, R&D expenditures and continuous education), while structural aspects (such as infrastructure, macro stability, policy coherence) are virtually not integrated into the methodology of the INSSE to measure competitiveness. The indicators and their evolution for the Romanian economy are shown in Table 2.

We find this evolution of the two quantitative indicators (public Education and R&D expenditures, as percentage of the GDP), with a peak in 2008 (4.4% out of the GDP) for the Public education expenditures, following a plateau of 3.6%-3.37%, up to an estimate of 4.6% in 2010, while the R&D expenditures tend to an almost constant increase between 2000 and 2008, while 2009 comes with a decline (0.48%, as compared to 0.58% in 2008) and steady for 2010.

This evolution of the two categories of expenditures intervenes on a constant and consistent increase of the GDP (up to 2008), which increases by 627.5% between 2000 and 2008, in nominal terms (Table 4); while in 2009 we find the first important correction of the GDP, which decreases by 7.05%, shaping up the beginning of the recession.

The third indicator (continuous education) is presented separately, as it measures the percentage of the population aged between 25 and 64 years that is enrolled in a form of

education, in the total population of the same age. We observe an increase in the percentage of active population that decides to continue education after the normal scholar, with a peak of 1.6% in 2005, followed by a similar percent (1.5%) in both 2006 and 2007.

As for the last indicator, the Revenue from innovation as part of the total income, due to lack of data, we can only observe an ascending trend between 2002 and 2006, with a maximum of 38.8% form the turnover due to innovation in 2006 and a peak of 41.1% in industry only, same year.

A study issued by the Romanian National Commission for Prognosis (CNP) shows scenarios comparison of the influence of EU funds on the Romanian economy. Elaborated on a HERMIN method [8] adjusted to the Romanian variables and context (Herom model), the study estimates that, if the entire amount of European Funds (see Table 1) were to be absorbed into the Romanian economy, the latter should show an increase of the GDP by 15% in 2013 as compared to 2007, the beginning of the implementation. The increase is calculated as differential between scenarios: with and without use of Funds. As we have seen, the absorption of funds (at least for increasing competitiveness, but numbers are similar into the other major areas of intervention) is far from being complete, attaining for now less than 15% of the available amounts. Are the effects on the economy to be taken to the same rate? Certainly not, as injection of funds, such as

structural ones, has multiplying effects once mechanisms are put in place, generating effects on large scales, meaning that projects have to be completely developed in order to produce the expected results. With small amounts placed here and there in different areas of the economy, the declared objective of setting up the EU fond injection in Romania (e.g. for the competitiveness the goal is for Romania to attain 55% of the European average) will continue to be just a target.

Evidently, we refer to a study based on a model, with limits and constraints. It is still interesting to take into consideration its results as a benchmark to what well administered funds can produce.

3. Measuring competitiveness in the EU and worldwide

When scrutinizing other ways to reach the relevant competitiveness indicators, we find sources of information into the reports of the World Economic Forum (WEF), World Intellectual Property Organization (WIPO) and EUROSTAT.

The World Economic Forum issues annual reports on competitiveness. The report for 2010–2011 states on the topic of measuring competitiveness: "We define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. In other words, more-competitive economies tend to be able to produce higher levels of income for their citizens. The productivity level also determines the rates of return obtained by investments in an economy"[6].

Because the rates of return are the fundamental drivers of the growth rates of the economy, a more-competitive economy is one that is likely to grow faster than average in the medium to long run.

The concept of competitiveness thus involves static and dynamic components: although the productivity of a country clearly determines its ability to sustain its *level* of income, it is also one of the central determinants of the returns to investment, which is one of the key factors explaining an economy's *growth potential*.

While the definition is clear and workable, we consider it less than satisfactory as it does not address the relationships and comparisons between economies.

In 2001, the researcher Sanjaya Lall publishes the paper "Comparing National Competitive Performance: An Economic Analysis of World Economic Forum's Competitiveness Index" [2] in which he criticizes the WEF methodology and results. Specifically, the author arguments: "[...] developing country policymakers worry about national competitiveness and closely watch indices ranking international competitive performance. The WEF definitions are too broad, the approach biased, the methodology flawed and inconsistent, and many measures vague, redundant or wrongly calculated. [...] It concludes that competitiveness indices have weak theoretical and empirical foundations and may be misleading for analytical and policy purposes."

We tend to consider those allegations, at least to the point of analysis but this is to be continued in a broader perspective in another paper.

The competitiveness is measured, according to the methodology employed by the WEF [6], based on twelve pillars that form a composite indicator, the Global Competitiveness Index (GCI); the pillars refer to: Institutions, Infrastructure, Macroeconomic stability, Health and primary education, Higher education and training, Goods market efficiency, Labor market efficiency, Financial market sophistication, Technological readiness, Market size, Business sophistication and Innovation.

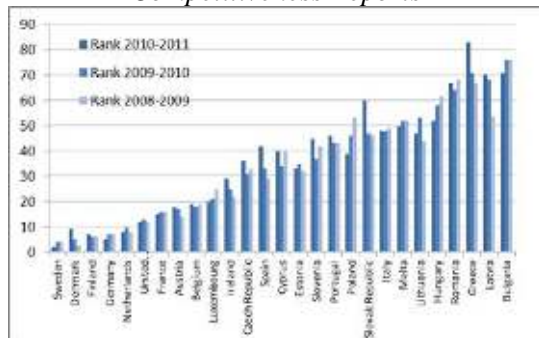
As we find in the 2010-2011 Report, the top 10 countries in the world, in terms of competitiveness, based on the aggregated indicator (GCI) contains five of the EU countries (Sweden, Denmark, Finland, Germany, Netherlands). The interesting aspect is that for at least three years in a row, the same 10 countries (the five EU countries cited before plus Switzerland, United States, Singapore, Japan and Canada) compete on the top 10 overall, exchanging places amongst them.

On the 2009 Report [5], Romania scores best, at the 64th rank out of 133 (that is top 48.12%), four ranks higher than the 2008 quotation (68 out of 134, top 50.74%), then

in 2010, we score similarly as compared to last year (67th out of 139, meaning top 48,9) (Fig. 1). As a late estimate, on 2011 Romania scores 77 out 142 countries, which is top 54.22%, worse result since 2008.

On the 27 EU countries, Sweden scores best (2nd overall, after Switzerland in 2010, respectively 4th rank in 2009) and Bulgaria scores worse on both intervals (76th in 2009, up to 71st in 2010).

Fig.1 European countries rank as per 2011-2010, 2009-2010 and 2008-2009 Competitiveness Reports



Source: [WEF, 2008, 2009, 2010]

The World Intellectual Property Organization (WIPO) is counting, among many other functions, the patent applications from the member countries (Table 3). An argument can be interpreted where we say that the expenditures with innovation should influence directly the creation of the patents. One logical consequence is that some of those patents are improving the national competitiveness by increasing the productivity (in WEF terms) and by opening new venues for profitable activities.

Table 3 Romanian R&D and patent applications 2000-2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
R&D expenditures (bil. Lei)	0,2971	0,4561	0,5753	0,7375	0,9309	1,1775	1,5408	2,1044	2,9756	2,3475	2,3697
Inflation corrected R&D exp	0,2971	0,2981	0,2920	0,3171	0,3526	0,4054	0,4955	0,6436	0,8527	0,6408	0,5958
Patent applications	287	277	363	293	200	68	62	59	36	37	53

Sources: INSSE and World Bank

We then correlate the two data series through the Pearson correlation, calculated as:

$$Correl(X, Y) = \frac{\sum (x - \bar{x})(y - \bar{y})}{\sqrt{\sum (x - \bar{x})^2 \sum (y - \bar{y})^2}}$$

where x and y are the simple means averages of the two data series.

The resultant Pearson correlation is -0.835. It is surprisingly low showing a negative correlation between the R&D expenditure corrected with the inflation rate and the

number of patent application, that decreases dramatically (to less than 1/5 between 2000 and 2010), while R&D expenditures double in the same time frame.

We then consider this correlation as a fairly good indication of the decrease of Romanian economic posture in terms of one component of the competitiveness indicator, while perception of the investors (as we will see in Table 5) is rather positive starting with 2006, due less to the competitiveness increase, but more to a promising economic environment[1] .

4. Data correlation

Finally, we decide to concentrate on two complex indicators, organized in time series in order to determine whether the Romanian efforts are actually improving the national competitiveness.

The first is the total expenditure for R&D and education (E) as detailed by INSSE. According to the Romanian National Bank, the GDP in nominal terms is presented in Table 4, values that will be corrected for inflation while choosing 2000 as the reference year, as follows:

Table 4 Romanian GDP and inflation rate 2000-2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (billion Lei)	80,3	116,7	151,4	189,1	238,7	287,2	342,4	404,7	513,0	498,5	504,2
Inflation rate	0,467	0,345	0,225	0,153	0,119	0,081	0,066	0,049	0,063	0,0474	0,079
Corrected GDP (bil. Lei)	80,3	86,786	91,89	99,54	112,29	123,3	138,49	156,05	186,1	172,58	181,83

Sources: INSSE, Romanian National Bank (BNR)

We use then this information to calculate the "absolute" R&D and Education (E) expenditure and then use the Moody's Romanian Bonds Ratings as reported between 2000 and 2010 (Table 5).

Table 5 Correlation between R&D, Education and Bonds yields rating by Moody's 2000-2010

Year	R&D expendit % from GDP	Educati on % from GDP	Total	GDP corrected (billion Lei)	Absolute expenditure (E) billion Lei	Romanian Bond rating (Moody's)	Score
2000	0,37	3,2	3,57	80,3	2,86671	CAA1	80
2001	0,39	3,8	4,19	86,7658	3,635486989	B2	110
2002	0,38	4,2	4,58	91,88984	4,208554738	B1	140
2003	0,39	3,8	3,99	99,54142	3,97170281	BA3	180
2004	0,39	3,7	4,09	112,2883	4,592593007	BA3	180
2005	0,41	3,8	4,01	123,8346	4,985786459	BA1	230
2006	0,45	4,3	4,75	138,495	6,57851158	BAA3	280
2007	0,5	4,3	4,82	156,0479	7,521509914	BAA3	280
2008	0,58	4,4	4,98	186,0985	9,287808986	BAA3	280
2009	0,47	4,30	4,77	172,9788	8,251090508	BAA3	280
2010	0,47	4,6	5,07	161,8287	8,204714774	BAA3	280

Sources: INSSE, Moody's

We consider this indicator as being the better proxy for measuring Romanian competitiveness because it is formed in the competition between the governments on the open bonds market and each market participant or investor is making its own mind and risk assessment for its money without too much official interference.

The "r" factor (Pearson correlation) between the indicator E (R&D and education expenditure), and the bond rating synthetic score is 0.905739. It is a positive correlation, suggesting a rather good impact of increasing the two types of expenditures onto the perception of competitiveness shown in the the Bond rating by Moody's.

There is to be also taking into consideration that a lag may appear between then time expenditure (in R&D or public Education) is made and the time results in terms of competitiveness occur. We find that authors [3] contemplate on a minimum of two years lag between input and output; this introduces a caveat in the correlation. The gap in time can also vary from a country to another, as well from a moment in time to another. It depends also on the stage of the economy, on the conjuncture conditions, as well as the evolution of the competitors.

Back to the correlation we have shown, due to the rather uneven nature of some estimations as well as the artificiality of converting the ratings into numerical format, we will only keep one position after the decimal point so we consider $r = 0,90$.

This shows that the expenditure and the ratings are somewhat locked in step but some caveats as earlier could be applied:

- The time series might be too short, thus not warranting a robust correlation;
- The numerical scale is arbitrary and could introduce unauthentic signal;
- The ratings are most likely influenced by political factors as well, which is the most serious nuisance to the correctness of the reported data.

It remains to be seen what the future holds and if the conclusion will be upheld or falsified.

5. Conclusion

The conclusion we draw is that we find a predictable good correlation between the expenditure on research, development and education and the country's financial market rating, as expression of the investor's perception on the Romanian economy and competitiveness.

Nevertheless, the policy makers should find clearer ways to support the Romanian economy competitiveness, as in terms of the participation at the European market, for example through exports, Romania has a relatively modest participation, thus showing some gap maintained in terms of competitiveness of our products and services.

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CV Writing for Young Graduate

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Abstract

Crucial in order to insure economic independence, source of social recognition and individual and collective development, the working place becomes essential for every being in constructing one self. For the young graduate entering the active life is more and more problematic due to the fact governmental politics don't bear any positive messages where they're concerned, and because they fill confined between leaving their formation and their first steady job for a long time. Between 2008 and 2009 youngsters' unemployment rate has increased as well in developed countries as in central and south-eastern European countries. Nowadays even a free formation in a renowned institution is not an anti-crisis shield and the insertion numbers of last statistics state this fact. The financial crisis and its economic repercussions emphasised on the importance of making the resume worthy in order to obtain a job and make a difference for recruiters.

Key words: crisis, young graduate, apply, job, unemployment;

J.E.L. classifications : E24 ; J23 ; J24

1. Introduction

In nowadays social and economic background one of the most difficult issues for graduate is finding a job. Having your graduate diploma in your pocket you think of finding an immediate job, but the confrontation with the working market is often brutal because you're facing numerous competitors with several years of experience and professional knowledge.

In this circumstance before their eyes lies the challenge of a life time: their successful insertion in the professional life. Times are

tough and pessimism gets a hold of this generation that no longer fills protected by obtaining a diploma that will later one allow them to have access to a job.

In the global economy and hyper-technological thinking of the XXIst century, a good initial professional formation is more and more crucial, but it's less to guarantee an easy entrance to the working market.

Even recognised institutions' diploma isn't always the key that opens by charm every enterprise door. With the inflation of diplomas these lost a great part of their value; it's always great to have a diploma, but it will never be enough in order to have a job.

In the search for their first job these youngsters find themselves more and more confronted with extra requests regarding professional experience or continuous formation almost impossible to fulfil when applying for the first time after leaving the system of education.

More so, another fact that seems to have a major impact adds to this phenomenon: on an educational and working market more and more global, recruitment also becomes global and young diplomats become competitors with their homologues from all European countries and from around the world.

In their pursuit, young diplomats must convince the employer that it is in his advantage to employ them. Therefore it is very important to promote their competences through a well-written CV indicating your studies and work experience. The financial crisis and its economic repercussions emphasised on the importance of making the resume worthy in order to obtain a job and make a difference for recruiters. For a young graduate, writing the CV and Cover Letter bears the secrets of a good candidateship.

2. CV's general principles

First victims of the economic crisis more youngsters find themselves without a job. At the ending of 2010 there were 75 millions all around the world *"fighting to find a job"*, after the latest study of International Work Organisation (OIT).[3]

Sadly this accentuated the doubts and pursuits that youngsters go through in order to find or not a job, to access or not to the working market, to professionally insert themselves more easily. This struggle makes them participate to a real social construction. It is our job (the teachers) to not make this construction a chaotic one and a desperation source for those demanding a first job.

The purpose of this article is that to accompany the young diplomat without too much working experience in all the phases of his working pursuit. That goes from elaborating and effective and pertinent CV that will draw recruiters' attention to preparing the famous recruitment interview. The suggested solution consists in focusing on abilities, knowledge and acquired competence developed thanks to their studies and collateral activities other than work.

CV is firstly a promoting instrument allowing the graduate to communicate effectively about his projects and expectations from future employer, it's life summarised in one page ... the first step in the professional life. The CV must supply a sum of useful information for recruiters, under all aspects: professional experience, formation (academic and professional), but also each element allowing to emphasise on different interesting abilities necessary to the practice of the requested job. It has to contain only the essential, nothing superfluous: *saying a lot with little words*.

It has to detail his itinerary where studies are concerned, also revealing important experiences for his personality. It has to know how to draw attention, stating its value, making a difference and proving its merits.

Recruiters are unanimous: CV's content and presentation make the difference. A CV is put together in three distinctive blocks: experiences, formation, interest centres.

• Formation

In a competitor world and a more difficult economic context, recruiters become more and more exigent on choosing the profile. Young diplomat must be good at what they do and also know how to sell themselves. In the opinion of specialists on the field, before launching themselves in the pursuit of a job, it is very important to organise oneself, taking the time to make the sum of your personal itinerary, even if you are only a young diplomat. The objective is that of receiving a feedback on your strong points; fable ones and those of improvement. CV writing requires a certain rigour especially on describing ones itinerary. The first thing to do is consulting all the employment offers in the press or online enterprise portals or on other sites specialised in job announcements.

The *formation* part is the chapter relating on diplomas and other acquired certificates. The date of obtaining these last ones must also be present. But indicate the probation period and followed training to various employers. (5, pp. 70-71) For a diplomat or those that just finished school, this section sates their schooling. They have to be clear on their following up in school, including programme names and institutions, accomplishments and received awards. Professional acquirements and competence domains like informatics and languages don't have to be dead ends.

Regarding *foreign languages* they have to indicate the studied languages as well as the journeys abroad that signal to employers a personality opened to change, ready to adjust more easily. Recruiters search more and more "international profiles" because leaving abroad offers a cultural and linguistic experience peerless that enriches the personal itinerary, and also the future collective one, stimulating knowledge diffusion and improving mutual comprehension. A study of the European Commission stated that 60% of Erasmus students appreciated that their abroad experience has been a major help in their being employed. [3]

You don't have lie on the level of the indicated languages; it's very possible that the recruiter pursuits a conversation in the language indicated in the CV. It is also best to admit the true. Example: Italian: « able to keep a conversation, » « *describe a technical*

documentation » ; « I speak three languages but not equally » « I try from time to time to read books and magazines in order to keep up wit my German » ; « I also have knowledge of Spanish and German that I understand but that I don't yet speak currently ».

Ophélie Colas des Francs in her article « What you can say to a recruiter (Que l'on peutdire à un recruteur) » advises to « Avoid formulas present in all CV's : *courant English/ reading, speaking, writing. Go for 'excellent level of English, professional purposes 'or 'English frequently used, for professional purpose »* [1, pp.46-48]

To emphasise on knowledge regarding foreign languages the person demanding the job must specify that he reads the British/French press, given the fact that this formulation doesn't give any indication on the real level or on the regularity of the language practice. For certain positions, it is necessary to specify that he expresses himself in technical language. Like for instance if he masters commercial French/German.

• Professional experience

Work experience is highly appreciated by employers and its absence it's a major obstacle for those demanding a job. Many youngsters fill trapped in a vicious circle being incapable of acquiring working experience due to the fact that they can't find a first job, and can't find a job because they don't have working experience [4].

In the « *experience* » block, the diplomat without professional experience will detail different probation periods made within his studies, listing them from the most recent to the oldest. Considered by recruiters as real professional experiences, they all have to be indicated and detailed: filled activities (organising, client receiving, handling raw materials or also merchandise reception) and obtained results. In two lines it can describe main responsibilities and contributions
Example: « *Z new clients brought to the enterprise* », « *creating a specific folder* ». Even the concluding probation report may interest recruiters and in a very synthetic way, given that results of the work done can be reminded.

If the probation period at the end of the studies is not concluded with a job offer, than the sum of professional experiences acquired during your formation is the best card of young diplomats. Therefore, everybody agrees that the probation time is the chance to discover different fields, to polish the professional project and acquire operational abilities. « Multiplying professional experiences has two advantages, appreciates Françoise Rey. Students are more prepared once they enter the enterprise and can easily justify their orientation. » [3]

This is also the best time to give proof of their work related abilities, or of their initiative in finding a job or better yet the way they manage their time between work and studies. These abilities are the one that make the difference between them and those who didn't have a job during their studying period. The quality, diversity and length of the probation period play an important role in being employed, it is therefore in the best interest of diplomats to focus on that during their interview. Mobility and professional probation time are two major advantages in order to score points and start a carrier.

• Abilities

Finally you don't have to hesitate to include your abilities acquired elsewhere than in school or at work. The formation and experiences are very important references giving the recruiter information on the person demanding a job's background to develop abilities. For each candidate, recruiters seek firstly their abilities because diplomas and experiences help create these ones.

In order to make a difference from the crowd the postulants must identify one single thing that it's unique in them, like for instance, *a special communication talent* or any other quality that goes beyond the requested abilities, but something that it's work related: a sum of professional qualities and abilities that the candidate possesses. For instance: *organised, sociable, good memory, research oriented ...*

In case there's not any professional experience they should go for a thematically CV that focuses on abilities and personal accomplishments. When writing such a CV you can create certain categories called „*Administrative abilities*” „*Informatics*

knowledge,, "Academic and professional experience", that can list all activities developed from the first year of the university. Attending classes or sports competitions can give the employer valuable information on the candidate: that he is a competitive person, who likes challenges, with a strong will able to do the job, because every employer faced once their first job and knows better than anyone that youngsters are really willing to succeed in their professional life and therefore deserve a chance. Here are some examples of abilities: «*Mastering logistic phone*», «*Excellent writing skills*, or «*Very aware of clients needs*», *ability to negotiate, ability to solve conflict situations, works well under stress* etc. « Reading these first words, the recruiter must think «*Well! Interesting!* »

This is also the category where you are supposed to list the jobs you've had during holidays. Summer jobs are rarely related with the chosen one (ex : hotel, restaurant, harvest or maintenance); but you don't have to despise these experiences that shows that the person is able to handle oneself, and that is willing to make an effort in order to reach his objectives. Recruiters are often sensitive to that and in their eyes that proves a lot of *dynamism* and a *strong will*. On the other hand this type of job may prove team spirit or even more excellent contact with clients. Attending the institution's football team or students' association means that he is able to put his abilities in practice.

All these information is attached to the CV after pertinent analysis. Once facing his recruiter the young diplomat mustn't forget that he competes with other candidates in possess of the same qualification, but that also possess more than just a simple academic formation.

- **Interests**

The paragraph «*interests* » concludes the page and allows the examining recruiter to appreciate the candidate's traits of personality. In this section, one or several personal points that you mention allow to identify the personality, which helps the recruiter to better know the candidate.

At the top of the page to the left we have to find the «*card* » of the postulant (name, surname, and coordinates: mobile phone number, e-mail address, birth date).

- **Seriousness and legibility**

The resume is a synthesis aiming to make the personal itinerary be worthy, striking on your strong points. Its first role is that of seducing the recruiter as much as to offer you the chance of an interview and the second role is that to prepare an interview.

In order to fully respect its functions, a resume must be clear, give information and be coherent and personal. Therefore you have to focus on its presentation and writing. You also have to know that it is not the same resume for all positions, therefore it must be written a second to the requests of each offer.

The golden rule of a good CV is that it is imperative to respect as much the content as the shape. It has to be unique, clear and open, honest and according to the reality.

For a student or a diplomat it has to be no longer than a page, in very distinctive parts and a good structure that can be easily spotted at a first gleams. It has to be brief structuring short sentences, without using the first person too much or without being too familiar, but completely aware that sureness in writing can be a plus.

The CV's layout isn't neutral but reveals to the recruiter parts of the candidate's personality: a classic layout can reveal a strict and organised character and a more original layout with colour will show a creative and playful spirit. In order to be more effective you should use: one single colour (black for instance), a neutral and very legible writing (Time New Roman or Arial) and big letters for titles.

3. Conclusions

In the middle of the crisis or not, diplomats of the year 2011 must have the chance or make a difference in order to get a job. They landed on a very degrading work market where they found themselves competing with the graduates of 2010 and of 2009, already suffering the disadvantage of the fact that they are debutants. Finding a job is one of most important wishes that every being has that will guarantee their wellbeing

and that of others! Having a diploma is not the only condition in order to get a job. Strong working habits, having a positive attitude towards others, being serious ... are other requirements necessary to be recruited. More so, in order to easily find a place on the working market that it's more and more selective: each candidate must invest his best assets and try to satisfy the requests of the working market. This means proving that he can adjust, that he is effective and extremely willing to communicate.

Only those who fully understand the problems of nowadays society, that can perceive its needs in continuous change, can be the right person that recruiters need for their opening position. It is no longer a question of formation and study, it is more about continuously practice of improving oneself and its abilities, its about acquiring as much experience as you can possible, and preferably in more than your field. Only than you can be sure that your personal accomplishment and professional one can make a difference for the company offering you a job, and that's what recruiters search, *the right candidate with the right CV!*

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Accounting, Institution of the Economic Liberal System, and the Great Religions of the World. Prolegomena

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Abstract

The evolutionary Process of Accounting – a basic institution of the economic liberal system - belongs to the area of the general history of economic thought, which originated in the ancient East, where we also find a first conception about work, "presented as a collaboration in a religious sense, as a sacrifice", and in ancient Greece, where the economic doctrine of Plato was formulated.

From the economic doctrine of Plato to the theory of capitalism launched by the protestant Adam Smith (1723-1790) – which culminated with the global theories and models of economic growth and of economic crisis of our days – was of course an evolutionary process, emphasized by the specialized Schools, in which their main representatives have defined the content of economic thought of one age or another. But, this economic thinking left aside not only the "system of the market" and "the planned system" – as Kenneth Galbraith understood and explained them – but also the preception of the values of private or state economy by the great Religions of the world, among which the Christian one, the Parents of which have evaluated them from the angle of the teachings of the Holy Script of the Old and New Testament.

Key words: the great religions, the history of bookkeeping, the management accounting, the economic liberal system

J.E.L. classification: B00

1. Introduction

If the first primitive manifestations of Bookkeeping appeared once "homo sapiens" became „homo oeconomicus", in turn, the first elements of bookkeeping discovered

date from the age when the old civilizations emerged. The oldest archaeological testimonies date back to the period 8000-3000 B.C., being made up of small pieces of clay discovered in the area of Near East[1], where the great Religions of the world appeared and where they cohabitate, among them the monotheistic ones (the Mosaic, Christian and Islamic one).

In their treaties of management or financial accounting, the competent researchers let us know that "the origins of bookkeeping take us back many thousands of years to a time when people used to represent *something*, pertaining to their reality, by carving it on bones or even by writing on clay tables or on papyrus"[2]. However, the history of bookkeeping in its present meaning – as a form of theoretical and practical knowledge – starts "in the Middle Ages, once with the development of the monetary economy and with the emergence of the seeds of capitalism"[2].

In the XV-th century, we already witness a "refinement" of the bookkeeping practices, that imposed "the first work of accounting literature", namely that "Tractatus de computis et scripturis" (Treaty of double-entry accounting), published in Venice in the year 1494, "which presents for the first time, in a coherent manner, the double entry, the element most typical of bookkeeping in technical terms"[2].

At last, we must say about bookkeeping – defined as a "procedure of inventory" – becomes one of enterprise only starting with the XX-th century.

2. The management accounting and the financial accounting

Regarded as a social science, accounting is linked to other social-humanistic sciences as, for example, the juridical Sciences, the economic Sciences, the political Sciences,

the management Sciences, History, Theology, Philosophy, Sociology etc.

As regards the management accounting and the financial accounting, the specialized literature – also emerging in the last years in our Country – could not avoid to specify that, "until 1989, the two accountancies had worked together in an integrated accounting system", but the accounting reform after the events of December '89 "has generated the separation of financial accounting from the management one"[3]. However, the same specialized literature informs us that "the former has a binding character, being regulated and determined by norms", whereas the latter "is optional for most of the Enterprise, the organization manner being the option of every unit"[3].

But, apart from the two accountancies, the management and financial one, there is also a fiscal management and, ipso facto, a fiscal system, which must be emphasized taking into account, above all, "the important role that accounting plays, be it financial or public, in the establishment of the fiscal management as a result of the citizens' contribution and of the fiscal administration"[4].

The evolutionary Process of Accounting - a basic institution of the economic liberal system - belongs to the area of the general history of economic thought, which originated in the ancient East, where we also find a first conception about work, "presented as a collaboration in a religious sense, as a sacrifice"[5], and in ancient Greece, where the economic doctrine of Plato was formulated.

From the economic doctrine of Plato to the theory of capitalism launched by the protestant Adam Smith (1723-1790) – which culminated with the global theories and models of economic growth and of economic crisis of our days – was of course an evolutionary process, emphasized by the specialized Schools, in which their main representatives have defined the content of economic thought of one age or another. But, this economic thinking left aside not only the "system of the market" and "the planned system" – as Kenneth Galbraith[5] understood and explained them – but also the perception of the values of private or state economy by the great Religions of the world, among which the Christian one, the Parents

of which have evaluated them from the angle of the teachings of the Holy Script of the Old and New Testament.

In the Antiquity, the peoples who disseminated notions and concepts specific to a philosophical thinking were also the ones who have created systems of thinking and of spiritual-religious living. In this respect, one could notice that the same peoples also created and experienced the most developed accounting systems of the world of those days, hence the conclusion that the Religions of the world have also contributed to the genesis and the evolution of the Accounting. That this is the historical reality is also confirmed by the fact that in China, for example, the putting into practice within the administrative system of the State of the religious doctrine of Confucius – a philosophy of life with a programmatic character, which has guided the administration of China for two millenia [6] - also led to the development of the accounting system.

In the old Rome and in the cities of ancient Greece, the treasury of the City-State was kept inside the temples, hence the necessity of accounts books. In fact, at the ancient peoples, the system for the collection, record and control of private or public goods, including the goods belonging to the Temples or that were in their area, also needed the creation of an accounting system which, at that time, did not require sophisticated accounting techniques, but limited itself to an accounting record that we could call "single-entry".

3. The role played by the servants of the temples and of the Christian Church

The experts in the „Economical Sciences” unanimously recognize that, as the genesis and the evolutionary process of accounting is concerned, a decisive role was played by the servants of the temples[7], that is by the priests of the respective religions, who had a very high level of knowledge both in the field of accounting and in the economic-financial one. Indeed, the priests of these Temples were also the ones who kept a quite complex record of the incomes and expenses of the respective religious places. Actually, the

experts could notice that the entire public and private life of those times manifested around and under the protection of the temples, which were themselves real accounting[8] centres.

Ever since the Antiquity the Temples and, in general, the religious places were also the first institutions to make operations of a banking nature. „The first evidence of a banking activity can be found in the Near East (Babilon) and in the Ancient Egypt, where the temples were both a place of prayer and for keeping the money and the treasures”, based on the existence of some written testimonies regarding the deposits and loans made by the temples. In fact, the temples had a system of registers for the record of the operations made, if not even a system for accounting those operations. Thus, the treasury in the temples, both the public and the „divine” one, was quite well controlled from an accounting point of view. Apart from the record of creditors and debtors (the city being the main creditor and debtor of the treasury of the temples) there was an accounting mechanism for the record of transfers from one fund to another. Apart from these aspects, annual inventories took place the purpose of which was the discharge of inventory, both for the public treasurers and for the „sacred” ones.

The Christian Church has also kept a record of goods ever since the apostolic age. After the edict of Milan (313), and, above all, after the Decree of Theodosius of 380 we can also notice a raise in the material resources of the Church, which implicitly led to the necessity to administer, manage, preserve and keep the record of the church patrimonial goods. Thus, the first church inventory took place and, ipso facto, a primary record of the transfer of these goods from the property of Christians to the property of the Church. However, in the beginning there was just a simple enumeration of goods which were transferred to the Church, because the necessity of keeping a record was reduced to the level of the simple necessity of administering and preserving these goods. So that we can say that the development of the capacity to count was the first instrument of bookkeeping for the sacred institutions and Places of that first period.

In its primary form, this type of bookkeeping appeared in the moment when the administrators of the Church counted the goods and animals which became part of its patrimony[9]. Therefore, we could say that was also the first inventory of the assets of these sacred institutions and Places, no matter the motivation which determined this. The instruments of this bookkeeping have multiplied and diversified once with the increase in resources in relation to the needs of the believers, that is of their members.

At the moment when the administrators of the Churches could no longer afford to waste their goods, the use of an instrument was imposed in order to help them register and keep the record of these or at least of the available resources. This is how the institution of the "oikonom" (the administrator) of the assets of the church (cf. the canon 25 of the IV-th ecumenical council and the canon 11 of the VII-th ecumenical Council) was established, which, initially, has existed in the life of the Church in the person of the Bishop, the only one who had the canonical obligation to administer the affairs of the Church. Indeed, the apostolic canon 38 – written by the middle of the IV-th century – specifies in an "expressis verbis" manner that the Bishops were the only legal administrators of the assets of the church.

The same competent researchers of the institution of accounting let us know that the accounting system of Rome has influenced the accounting techniques to a significant extent for at least one thousand years. In fact, the system most similar to the one used by the Romans was discovered in the accounts of takings and payments kept by the western Church, which, during the existence of the pontifical State, has imposed and collected taxes throughout the European geographical space. Indeed, since the VI-th century, the deacons have been appointed to administer the properties of the church and to report the incomes accomplished. In the context of every ecclesiastical province (diocese) there were agents of the Papal treasury and people in charge of the collection and the payments of the amounts due to the Papacy.

Within the Western Church – which was under the canonical jurisdiction of the Roman Pontiff – the ecclesiastical bookkeeping has taken up a new form of development once with the establishment of some knightly

orders, with a real influence both in the political and ecclesiastical world and in the economic field, which managed to gain not only mobile and non-mobile goods, but also financial funds, the natural consequence being also the development of the methods of management of the latter. Step by step the double-entry technique emerged, the first elements of which appeared in the registers of the Knights Templar, which were said to be the „initiators” of double-entry bookkeeping. However, the principle of the double entry has appeared as a consequence of the practical necessities, as it was with good reason considered the product of the progressive evolution of the daily practice of business, following in a natural way from the single-entry.

4. The role played by the Order of the Knights Templar

That the Order of the Knights Templar was very strong and occupied an extremely large territory, encompassing heterogenous cultures and civilizations remains an undoubtable reality. Actually, they had access to the libraries of the ancient and medieval worlds, as many as there were left.[10] We do not exclude the hypothesis that they had taken over this technique from a Christian monastery from the East with which they came in contact. Anyhow, it is certain that some religious Orders, such as the Knights of the Teutonic Order and the Order of the Knights Templar also knew how to handle the bookkeeping, not only the sword.

The Order of the Knights Templar was established in Paris, in the year 1118 by Hugues de Paynes. As defenders of Christianity in Jerusalem, they have benefitted from a palace on the place where the ancient temple of king Solomon was once built and from many donations along the time. Due to their ability to handle the money, this knightly order became the banker of the Popes, of kings, but also of many ordinary persons.

The bookkeeping of the Templars seems to have been quite detailed, "being more developed than the one used by the French merchants and ordinary persons or by the Italian bankers of the same period"[10],

hence the overtly hostile attitude of the latter towards the former.

This development of the accounting technique was possible due to the fact that, during the several hundreds of years when they were a strong political and economical force in Europe and in its border regions, "the accounts of the clients were kept in an identical manner as the present-day bank accounts, as they used to close the accounts periodically, three times a year, in the moment that the payment date of the leases arrived and to report at every payment date the credit from the previous closing of account. We are talking here about an authentic current account: the debit section included the amounts owed by the client, the credit section the payments made, the balance representing the debt. The amounts were recorded in a journal on a daily basis, than copied into the great accounts books".[8]

As regards the keeping of the accounts by the clients, this accounting system "has not only been probably one of the most efficient instruments for keeping the accounts of the Templar Knights, but it is possible that it represented the seeds from which the double-entry had later evolved".[11]

Given that they had managed the patrimony through this system in a fair and efficient manner, the Templars were also asked by some of the kings of France to administer the treasury of their French state. This way, the society paid special attention to the accounts of the French royal house, for which a double-entry accounting was kept.

According to this accounting system, the respective amounts of money were identified according to the sources of their provenience, that is where the money came from, a fact which reveals the technique of the use of a double-entry accounting. In fact, "the records were not made in a descriptive manner, but in a manner pertaining to accounting. On every page of the journal appeared the name of the Templar who was on duty on the respective day at the payment counter, as well as the date, the amount of the payment or transfer, the name of the person to the debt or credit of whom the amount was recorded, the indication of the accounts book the „Great Book” in which the operation was reported"[8].

In the opinion of some economists, the Templars would have developed and optimized the accounting technique if they had not been dominated by accumulating very high wealth and power, a reason for which the Order was actually dissolved by the order of Philip the Handsome, the king of France, in the year 1314.

5. Conclusions

The evolution of bookkeeping after the fall of the Western Roman Empire, in the year 476, with an evolution cycle due to the Knights Templars, is not accidental, since, as one could notice, the templars were the first ones to act on a large scale with the financial funds of others. Afterwards, taking over the experience of the Pontifical State and of the Knights Templars, the Arabs established the business societies with joint operations, and the Italians, of Roman-Catholic confession, were the ones who multiplied these types of societies and developed the commerce to an unprecedented scale, combining the best business practices they have had access to.

At last, a final major contribution in the evolutive process of the institution of Accounting was also due to a clergyman, that is to the pastor Jean Calvin (+ 1564), who, in the city of Geneve, laid the foundation of the economical, liberal, institutional system from the countries of a Protestant confession from Europe and, later on, from the United States of America.

Finally, we can say that the great religions of the world have also brought – through their people – a meritorious contribution to the genesis and the development of Bookkeeping, basic institution of the economic liberal system.

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A New Analysis on Cost-Effectiveness Models of the System of Health In Romania

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Abstract

Identification of optimal allocation of resources to maximize the health of the population will be a key challenge of the health system in the next decade. Consequently, medical research should continue to expect an increased number of alternatives to detect, prevent and treat various diseases. However, budgetary constraints will restrict access to these solutions, or at least by some. Economic evaluation of the results of an entire health system (such as in Romania) is possible but not practical. This deficiency can be explained by lack of appropriate indicators and the difficulties of quantification. Through this paper we propose an inventory of the main methods of applying cost-benefit analysis of health system in Romania and in particular, oro-dental health system in order to identify new costs involved in carrying out such services.

Key words: Multifactor productivity; Organizational behavior; Distribution.

J.E.L. classification.: D24; D23; D3; I15; I12.

1. Introduction

One of the OMS wishes and demandes expected to practice medicine for human health throughout - taking account of physical, mental and social life, a little modern medicine to support and strengthen the natural physiological mechanisms by which the human body fight disease, trying to

draw attention on the value of a positive healthy lifestyle.

In this context, the likelihood of major changes in the organization's systems is significant, being influenced decisively functions such as maintenance, inventory management, organization of material flows, financial and human resources, logistics and distribution.

2. Basic types of economic evaluation of health programs

There are four basic types of economic evaluation of health programs (MFDrummond 1980; KEWarner, BRLuce 1982, Drummond MF, GLStoddart, GWTorrance 1987):

- cost analysis,
- cost-effectiveness analysis (EEA),
- the cost-utility (AEU),
- cost-benefit analysis (AEB).

Cost analysis in health compare costs / expenses included in insurance services, supplies or alternative health programs. Difficult problems in cost analysis generated marginal costs (proportional allocation techniques for marginal costs of individual projects) and admission to the various costs of programming time (and cancellation technique to reduce capital expenditures).

Cost-effectiveness (ACE) in net benefit health care health measures or the reduction of disease by applying targeted services directly related to cost. Can be expressed in monetary units per years of life lost. ACE is a full economic evaluation that examines the costs and results / consequences of health programs. The term \ "effective \ " (Cochrane, AL., 1972) applied the system and health policies can be understood as to maximize the

results of health services and / or minimize the effort and resources used.

Cost-utility (ACU) is similar to ACE, but focuses on the quality of results due to health programs. A description of methods to measure health services is available in Torrance (Torrance, GW, 1982). There are three known methods for measuring the health services: assessment scales, standard risk and time-trade off.

Cost-benefit analysis (CBA) is trying to convert all costs and benefits of health programs in the same monetary unit. CBA is potentially the most complete form of economic evaluation, but practical use is limited by difficulties in measurement.

Benefits programs and services are the effects of improving the health of the population and indirect social and economic development of the country. To achieve the desired benefits, available resources should be used as well. Failure optimal use of resources is a loss for the community (opportunity cost). Clear definition of costs and benefits need to assure those who make decisions that no alternative would not provide better results.

Management accounting has an important role in funding decisions, namely the establishment of income, determine the unit value price per treatment / therapeutic maneuver and workload (number of patients, number of maneuvers, etc.). Therefore we analyze the two activities with major implications in dental office management, dental treatments that determine the different costs and economic substantiation of the prices / tariffs of these treatments / therapeutic maneuvers.

3. New models for the analysis of "cost effectiveness"

A number of countries (Australia, Canada, Sweden and the UK) have implemented, implicitly or explicitly, strategies to guide resource allocation decisions based on economic analysis of health, the most popular type used today, the cost-effectiveness (cost-Effectiveness Analysis). In other countries, the cost-effectiveness or other economic analysis are key inputs in decision making in health systems. However there is a growing concern about the fact that

resource allocation should be done systematically and in a manner not intuitive. As cost-effectiveness analysis is widely used in decision support in the health system, decision makers will become more consistent.

It is therefore reasonable to expect an increase in interest and use to substantiate the cost-effectiveness analysis and decisions in this area. Inevitably this will lead to more transparency and consistency in decision-making process.

The concept of "threshold" was originally proposed by Weinstein and Zeckhauser in 1973 (Weinstein, Milton & Zeckhauser, Richard, 1973) and refers to the costs and effects of an intervention must touch it to be accepted by a given health system. This "threshold" is the ratio between the cost of money, usually expressed in national currency, the numerator and increase the health assessment, the denominator. The decision to use cost-effectiveness result from optimization of resource allocation constraints in achieving health. Controversy about this method and its ability to provide relevant comparisons circumscribed mainly practical difficulty of determining a single assessment, universally accepted "health growth".

Another sensitive point of application of cost-effectiveness analysis and the concept of "threshold" is the types of costs that must be included in this context. There are opinions that should be considered not only the costs (direct and indirect) arising from that condition, but the costs of photography or hedging (technical deficiencies, reruns of some therapeutic maneuvers during the warranty period, etc.), and forecasting of future costs. Johannesson and other researchers have recently demonstrated how the inclusion or exclusion of future costs affect the cost-effectiveness indicator and, in particular, on those interventions that improve life expectancy and improve quality of life.

Following the recommendations of proper application of economic valuation methods defined therapeutic strategies under French economist College of Health during the presidency of Emile Levi, called direct cost amount of resources consumed in relation to treatment of diseases (medical costs: hospitalization, medical consultations, drugs , non-medical costs: transport patients home help etc) indirect cost of productivity losses related to value the patient's illness and his

entourage (eg treatment of chronic apical periodontitis long-standing whose treatment is paid by the number of sessions involved) cost and intangible value losses caused by unmet patient desires completely, which will be reflected in private practice dental image as the most effective way to promote it is satisfied that the patient even in the family and entourage will recommend dental services he received.

Managing costs is very important because it expresses the general method of assessment of quality management business, as the indicator of efficiency:

The value of products / services obtained

The value of resources consumed

Business decisions are vital knowledge about cost structure and their characteristics. For this reason we can say that the classification of costs, those costs can quickly choose to meet specific information needs. There are a variety of criteria for the classification of costs, of which we will address only a few:

1. depending on the relationship of dependency with variation output:

1.1.variable costs that fluctuate in direct proportion to the volume of production (consumption of raw materials, direct labor, etc.) unit variable cost is constant, ie the ratio of variable cost and number of units produced;

1.2.fixed costs remain constant regardless of changes in production volume, is the cost of capacity (building depreciation, administrative expenses, maintenance costs of buildings) unit fixed cost is variable;

1.3.joint costs where a part varies according to production volume and the other part remains fixed (common expenses of the department, maintenance of equipment in the main production sections, etc.).

In principle the calculation of the cost relationship (Y), depending on fixed costs (b) and unit variable costs (a) is as follows:

$Y = aX + b$, where X is the activity

This relationship is valid when the correlation between resources consumed and products is constant, the purchase price of

raw materials is stable and available resources are used. In terms of inflation or recession linearity relationship is no longer maintained.

2. depending on how are the expences allocated in costs:

2.1.direct costs- that directly affected products / services manufactured or phases, workshops etc. (Raw materials and consumable materials, direct labor, etc.);

2.2.indirect costs can not be directly attributable to products / services produced, they are collected and distributed globally on product / service manufactured using keys distribution (expenses lighting, heating, plant depreciation, factory director salary etc).

Between costs "variable - fixed" costs "direct-indirect" interference numerous, many expenses from many categories, but each classification meet specific information needs. For example expenses are included in the direct variable cost (direct materials and wages) and direct fixed costs (depreciation manufacturing lines). There is also an indirect cost variable corresponding costs for lighting, heating, inventory, supplies to help with the activities of production, but may not be identified on a specific product. Indirect fixed costs relate to salaries of administrative staff or depreciation of buildings / premises of the company.

3. depending on the connection with the product/ service obtained (evaluation of resources consumed in each stage of production and realization, evaluation of the product phase, the stage of manufacture):

3.1.product cost includes all associated costs (settled) the calculation of an object (product, service, workshop, etc.);

3.2.period cost calculation includes all expenses recognized in profit or loss, without being necessarily related to the product / services provided (administrative costs, distribution).

4. depending on the influence on managerial decisions:

4.1.indifferent costs refer to the "legacy of the past" but have no influence on the decision, as the cost remains unchanged, even though there is about the future (eg France and England have abandoned the "Concord" after making the 14 devices in Despite huge

investments, because they took into account future costs);

- 4.2. relevant costs are future costs that can be modified according to a plan of action, in this category and opportunity costs which is the difference between the margin generated by an action plan and higher margins generated by a better plan;
- 4.3. failure costs relate to absenteeism, accidents, poor productivity, poor quality of products / services. These events involve either increased costs involved (increased material consumption, increase working hours and additional activities without economic justification for increasing salaries) or reducing the quantities of finished products available for sale or reduction of production potential (staff is busy with the dysfunction remedy).

Interest calculation costs "hidden" is twofold: on the one hand refers to accountability and on the other hand affect future decisions. Direct costs of private medical offices easily identifiable are those costs directly associated with dental treatments. These costs must be registered in the entity's records system and may include the following categories: salaries (gross level, plus employer contributions); raw materials, other supplies, general expenses, malpractice insurance, maintenance expenses.

Indirect costs of private medical offices are those which can not be classified as direct costs but are indispensable treatments and therapeutic maneuvers or proper conduct of business in general and may include: depreciation of work equipment, space and other tangible assets involved in the activity ; pay maintenance and support personnel, costs of maintenance and operational costs (eg utilities costs, costs of current repairs etc).

Other general and administrative expenses of the dental office without being directly related to specific therapeutic maneuvers: interest expenses on loans for financing the business / investment (under certain conditions *) Operating expenses: General maintenance costs (cleaning, waste transport etc.), administrative costs (personnel costs, costs of the departments of accounting, finance, IT, HR etc).

Indirect costs are allocated to the patient or cost centers, according to the established allocation.

Intangible costs are the costs associated with patient dissatisfaction, which can translate into additional resources to be allocated for cost recovery or therapeutic maneuver to address an additional therapeutic maneuvers or patient loss costs (which will give to those Services in). These intangible costs must be impaired, depending on the history of previous cases of dissatisfaction and included in determining the total cost of treatment and therapeutic maneuvers.

The most important and difficult action in the generation of relevant costs, indirect costs and intangible is allocated each therapeutic handling, patient, physician, etc.. Therefore costing methods applicable to dental offices, have as main objective of a more judicious (realistic) allocation of indirect operating costs and general and administrative costs so completely thus obtained represent a coherent and relevant basis for determining the prices / fees incurred by patients.

4. Conclusions

In our country the pace of dissemination of information to those interested is very slow. Information system is not adequate and does not provide sufficient accuracy and high quality dental care and the context, especially on private dental office management. At this time using information on the website with various institutions and associations such concerns or content of the various publications, information not guarantee reflection of reality in the field. The calculation of indicators whose value can be identified using various information sources is not unique and often remains unknown practitioner, leading to erroneous decisions, many with disastrous effects. Accuracy of information is affected and by the absence of a viable, rapid data collection, so collecting them late, especially since there late processing center specializing in data analysis or a national database.

Sources of information does not cover the whole field of them, most offering information obsolete or without fully valid in the dental care.

The idea of construction and activation of such a calculation base and information on the management of private dental office that was generated in economically advanced countries the existence of such bases facilitates the

decision making of those interested. Therefore a key objective of this scientific research will target information:

1. Private clinics and dental offices to identify development opportunities;
2. Romanian and foreign potential investors in order to initiate business;
3. Organisms of public power in order to draw statistical statements;
4. Research institutes and universities to give presentations to current activity specific methodologies for the calculation of cost categories;
5. Dentists who performs an efficiency improvement and dental office management;
6. Consulting companies, stock or insurance, in order to elaborate, and support a private system of insurance of dental clinics that meet the European standard ISO.

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Innovation – a Determining Factor for Competitiveness in the European Union

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Abstract

A country in global competition for markets of any kind certainly has chances of economic success if it is based on the specialization of the offer and the focus of its development efforts on certain elements and key areas that have competitive advantages, resources and skills.

In this context, innovation and competitiveness become essential. Since the European Commission's concerns for the next financial period make the two concepts become priorities, it is understood that our country also must consider them as priorities.

Romania is a modest innovator characterized as such by the results so far, in comparison with other European Union member states. Occupying the 24th place in the European Innovation Scoreboard, Romania does not have enough consistency and continuity, although it recorded innovation growth rates above 5% per year.

Key words: innovation, competitiveness, European Innovation Scoreboard, productivity

J.E.L. classification: O32, Q55

1. Introduction

A country in global competition for markets of any kind certainly has chances of economic success if it is based on the specialization of the offer and the focus of its development efforts on certain elements and key areas that have competitive advantages, resources and skills. In this context, innovation and competitiveness become essential. Since the European Commission's

concerns for the next financial period makes the two concepts become priorities, it is understood that our country also must consider them as priorities.

The very recent signal, transmitted by the Commission's spokesman Vice-President Antonio Tajani at the Conference entitled "The challenges of the European industry competitiveness and the role of the firm investments" held in September 2011 at the National Bank, is "Quality before quantity" ([www.fonduri-structurale.ro/detaliu.aspx?eID=98358 & t = news](http://www.fonduri-structurale.ro/detaliu.aspx?eID=98358&t=news)).

In its turn, the Government of Romania proves a concern expressed by the Minister of Education, Youth and Sports, Daniel Funeriu, who states that "without innovation, competitiveness is not possible" and he sustains an "innovation ecosystem" through actions such as:

- Supporting the scientific research connected to an international level;
- Creating a modern and efficient telecommunications infrastructure;
- Supporting the entrepreneurial culture and education in schools;
- Ensuring the fair legal and financial services;
- Creating industrial clusters, even competitiveness poles, in which education should have a role as important as the industry itself.

In order to not situate himself at the level of statement, but at the one of concrete actions, the Minister introduced new mechanisms which are taken into account for the near future, such as: the **inovouchers**, meaning that system of innovation checks for the environmental entrepreneurship, along with the industrial research grants, made possible by means of the National Plan of Research, Development, Innovation, **the**

service patent law, intended to clarify, simplify and make the relations between employers and employees less bureaucratic, in terms of intellectual assets, **entrepreneurship education plans** for students and the supporting of the business incubators in universities, **partnerships with other countries in the research field** along with the innovation and entrepreneurship policies interconnection with Poland, Bulgaria and Croatia.

The action modalities listed above are intended to connect the research in Romania to the European reforms and the role of liaison between the Executive, business and academics becomes the responsibility of bodies such as the National Council for Competitiveness responsible for the National Competitiveness Strategy - Romania 2020, the Advisory Board for Research Development and Innovation, the Executive Unit for Financing the Higher Education, the Research, the Development and the Innovation (EUFHERDI) etc.

There are both positive and negative feedback against this first-rate approach on the issue of research. Some believe that only through strong links between research and education, as well as between these two and the business it can be hoped that the economy would become more competitive, some others do not deny it, but they criticize the fact that, this way, education seems more inclined in the direction of research rather than in the one of training, and the rest of them, the more pessimistic ones, state that the goal wanted will not be achieved.

Without doing, in our turn, assessments on this controversy and referring strictly to innovation and competitiveness, we believe that the innovative thinking is required by all. Innovation joins and overlaps with the organizational strategy, the attitude to the brand and customers, whoever they are, whatever the product or service is and wherever they perform as an area of interest. Innovation can only exist in partnership with creativity, with thinking about hypostasis, things and situations that no one thought about before.

The innovative vision and innovation itself lead to the appearance of some products and services, which are superior from all points of view, more friendly with the highly polluted environment, and of some more efficient management systems. The dynamism of the economic and social life turns innovation into an

opportunity, often the only one, for an organization to evolve, although the experience in this field has shown that innovation is not accepted from the very beginning and without opposition by the consumer. It happens that valuable ideas do not reach the goal of turning themselves into mass products. Therefore, the organization is motivated, almost forced, to think innovatively on a regular basis, being known that innovation is the main rank in the nowadays global economic gears, and also to have a marketing to "renew the market not only at the strategic level, but also at the tactical level - creating the proper context, the appropriate attitudes, the adequate infrastructure and the appropriate appetite for the competitive and commercial success of the best ideas to be assured." For this reason, a significant proportion of the income is directed towards the research and creation, and for marketing as well.

2. Concepts

The definitions are many and there is not one universally accepted. Important sources of documentation can be considered the dictionaries and the encyclopedias (DEX online, Merriam - Webster online, Wikipedia, etc.), specialized manuals, etc.

In the Legislatie.3pedia.ro Dictionary it can be found a limiting definition, in our opinion, showing that "innovation is a technical achievement that shows novelty at a national level, progress and economic and social advantages, solving a problem in the industry or any other field of economy, science, culture, protection".

Comprehensively, the OSLO Manual, version 3 (2005) shows that "innovation is the implementation of a new or significantly improved product (good or service), or of a process, a method of marketing, or a new organizational method in the practice of the business in the employment organization or the external relations" OSLO Manual (Guidelines for collecting and interpreting innovation data, 3rd ed. OECD / European Communities, 2005).

Another source is the Marketing Explanatory Dictionary (2003) where, in a broad sense, **innovation** is "the work of a specialist or a team and its result, which provides the improvement of the technics, of a production process, of the products (material goods) and services, of some organizational means showing an aspect of

novelty. "In the narrow sense, innovation "is reflected in a new solution (constructive, technological, organizational), usually an improvement, claiming no uniqueness or priority, etc..."

But what is widely accepted in all approaches is the word "new" (significantly improved).

In principle, innovation ensures the transfer of knowledge, the technology commercialization, the receptivity to new ideas and the entrepreneurial sense, meaning that it determines competitiveness, by including the new ideas that generate value. Being **competitive** means having the necessary capacity to cope with the competition on every market.

2. Moments of reference

The creation of the European Union is an innovation itself by means of which the founders had hoped and still hope to cope with the competition with the U.S.A. and the Asian countries, namely China, Japan, South Korea and India.

By the Lisbon Strategy in 2000 innovation became a strategic element, being made clear reference to it in two chapters, namely "Creating a European research and innovation area" and "Creating a proper environment for starting and developing innovative businesses, especially SMEs".

In 2003, by means of the Communication entitled "Innovation policy: Updating the Union's approach in the context of the Lisbon Strategy" - COM (2003) 112 of the European Commission to the European Council, the European Parliament and other institutions, an update of the concept and the multimensionale nature of the phenomenon and its implications has been done. The speed with which innovation spreads in the economy became crucial to the competitiveness, productivity and the economic growth. And even if there were significant results and progress, however, improvements have been proposed periodically since in the Lisbon Strategy there have been identified a number of weaknesses or items not taken into account at the time of its elaboration.

The Europe 2020 Strategy brings a new major initiative: an "Innovation Union" launched by Antonio Tajani on October 6, 2010 (www.europa.eu/commission_2010-2014/Tajani/hot-topics/innovation-union/index_en.htm).

The major objectives of this strategy are related to:

- Strengthening the knowledge base of Europe and reducing the fragmentation, in which a special role is to promote excellence in education;
- Turning good ideas into marketable products;

- Removing social and geographical disparities;
- Putting the resources in common in order to achieve major breakthroughs in directions such as the access to finance, the public sector innovation, the social innovation and the focusing on design. In the support of achieving these objectives there will come the Framework Programme 8 as well.

3. European Innovation Scoreboard - EIS

It is an instrument created to enable a comparative analysis on innovation performance in the activity of the 27 European Union countries, to which there are added some other non-European countries: Croatia, Serbia, Macedonia, Iceland, Turkey, Norway and Switzerland. Also, the scoreboard makes the comparison with the U.S.A., Japan, China, India, Brazil and Russia as the European target is to reach and exceed the extraordinary results achieved by the latter ones.

In 2010, the 10th EIS used a list of 25 indicators, different than in the year 2009, when there were used a number of 29 indicators expressing the national performance of the research and innovation as a system. The scoreboard is public (www.proinno-europe.eu), the results being able to be compared with the ones from the year 2001 onwards.

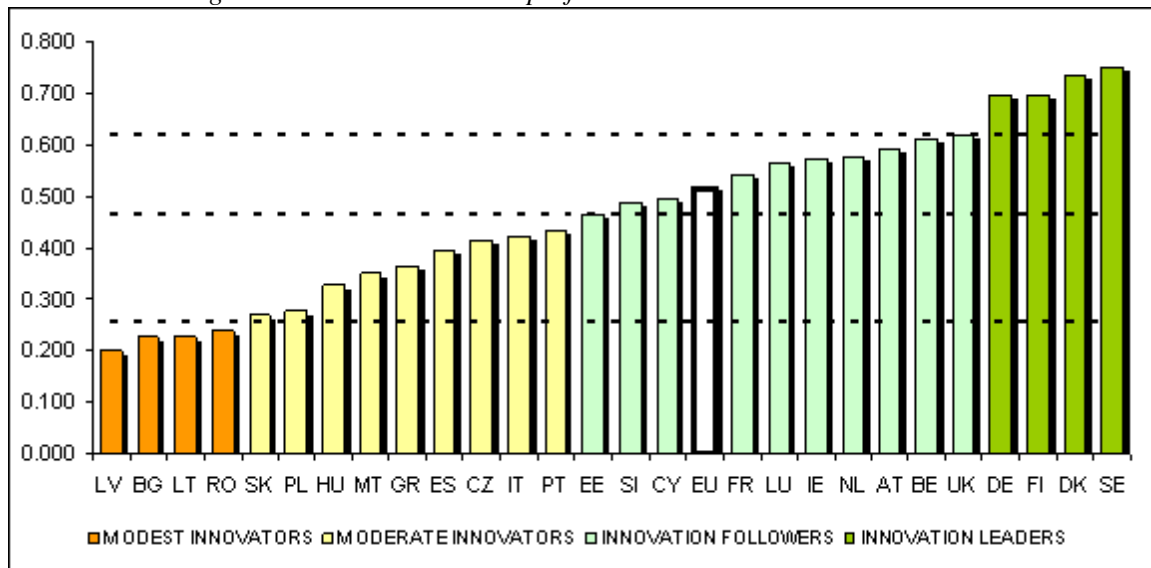
An analysis on this scoreboard at the year 2010 level led us to the following results:

- By comparison, the EU27 is ahead of countries like China, Brazil or India, and which yet advances in sustained rhythms, but behind the U.S.A. and Japan, which remain the undisputed leaders of the global innovation;
- There are identified four categories of performance: **Innovation Leaders**, including Denmark, Finland, Germany and Sweden, with a rate of innovation with more than 20% above the EU27 average, **Innovation Followers**, with Austria, Belgium, Cyprus, Estonia, France, Ireland, Luxembourg, Netherlands, Slovenia and the United Kingdom, which have 10-20% over the same average, **Moderate Innovators**, which include Czech Republic, Greece, Hungary, Italy, Malta, Poland, Slovakia and Spain, under the EU27 average, but still over half of it; **Modest Innovators**, which include Latvia, Lithuania, Romania and Bulgaria, with less than half of the EU27 average;

- The performance of the four groups of European countries is compared according to the following eight dimensions: human resources,

research systems, finance and support, firm investments, linkages and entrepreneurship, intellectual assets, innovators, economic effects.

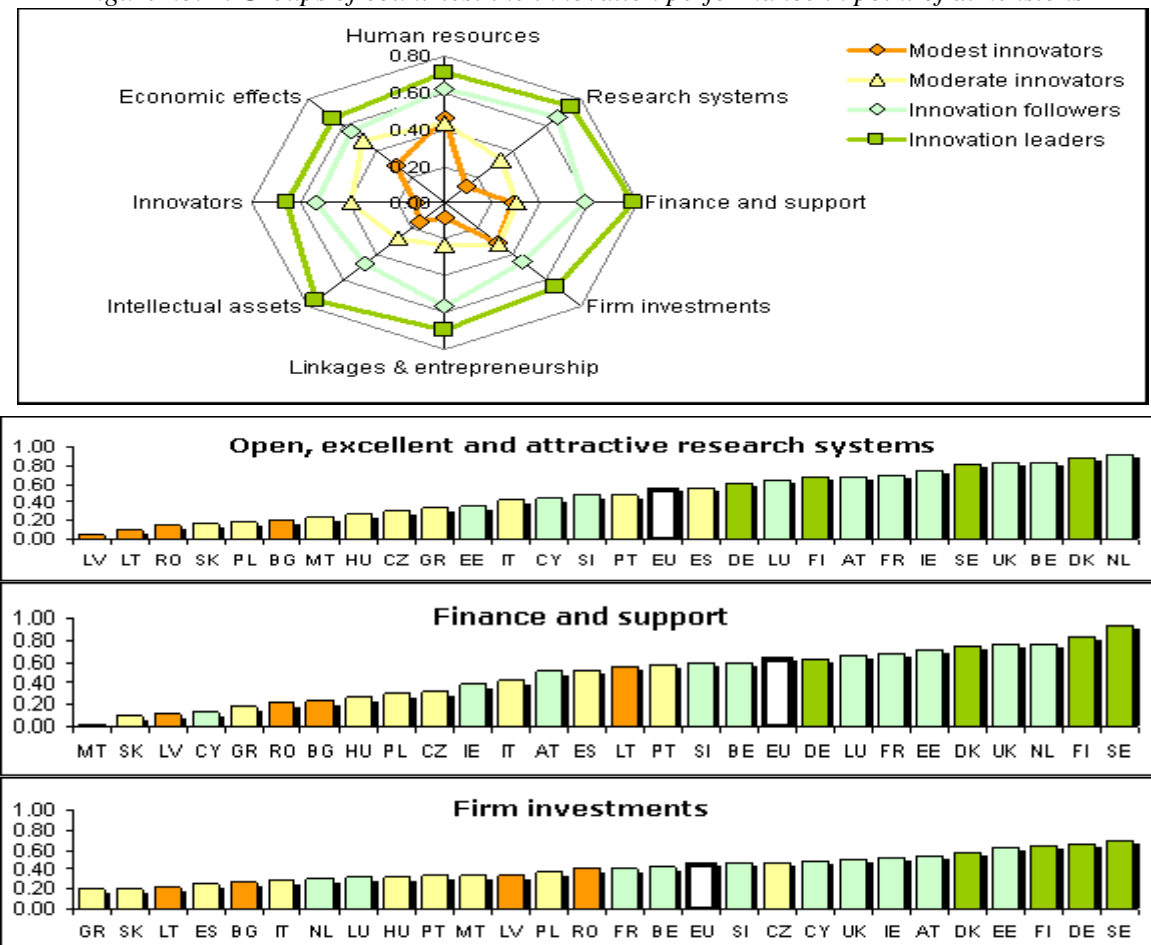
Figure no. 1. The innovation performance in the EU Member States

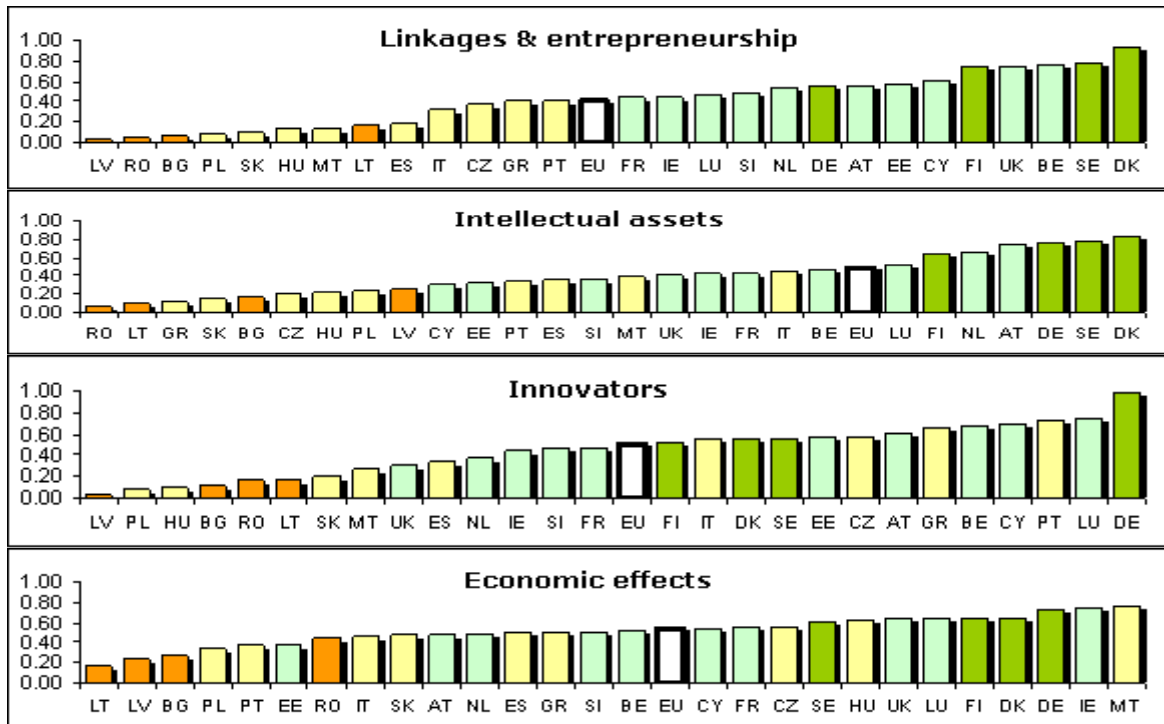


Note: The average performance is measured by using a composite indicator built on the basis of the 24 indicators having values that go from a lowest possible performance of 0 to a maximum possible performance of 1. The average performance in 2010 reflects the performance in 2008/2009 due to a lag in the data availability.

Source: <http://www.proinno-europe.eu/inno-metrics/page/innovation-union-scoreboard-2010>

Figure no. 2. Groups of countries: the innovation performance in point of dimensions





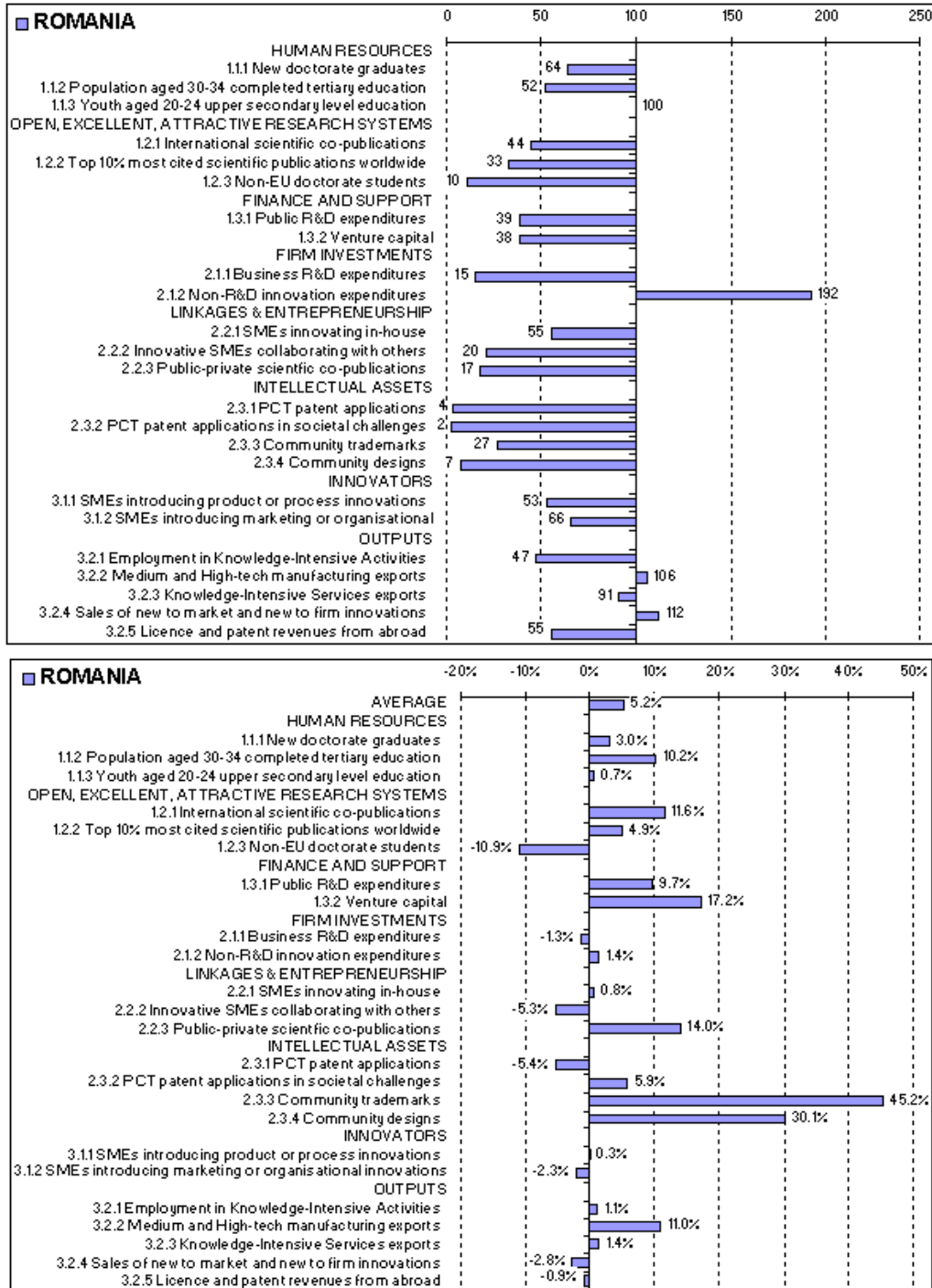
Source: <http://www.proinno-europe.eu/inno-metrics/page/innovation-union-scoreboard-2010>

4. Romania – a modest innovator

Thus it is characterized by the results so far in comparison with the other Member States. Occupying the 24th place in the EIS, Romania has no consistency, continuity, although it recorded innovation growth rates

above 5% per year. It would have been needed more than the double of this value in order to avoid what the charts below present. Of the 24 indicators, only three are above the average and only one is to be mentioned: expenses that generate innovation - other than the ones of research and development.

Figure no. 3. The innovation performance in Romania



Source: <http://www.proinno-europe.eu/inno-metrics/page/innovation-union-scoreboard-2010>

Aware of the fact that the countries that do not innovate in a rapid pace develop slowly and have only to lose, Romania begins to change things. The research as a distinct field was forgotten or even abolished in the last 20 years, former research centers with significant results entirely, or mostly disappeared. Authentic researchers were not as talented in achieving an efficient management to ensure their financial support, to sell what they

produced. Education was focused mainly on education, enterprises were concerned especially about their own care rather than about the entire economy, having no overview. The picture is filled with many laggard positions, such as the educational outcomes, the number of young employees in higher education ascribed to the whole population, the level of innovation in the private companies, etc... This whole complex

of factors brought to our country positions envied by no one in charts that really matter. A significant effort is required and the invitation, from the part of the European countries with high ambitions determined by the lagging behind the non-European competitors, must be honored.

There is also the necessary finance, if we take into consideration only the allocation for the Increasing of the Economic Competitiveness SOP – IEC SOP, which is of 2284675277 euros. The program's overall aim is to reduce the gap in comparison with the Union, namely the achieving of an average annual growth of GDP per employee by 5.5%, which will lead to the achieving of 55% from the annual productivity of the EU by the year 2015. The specific objectives are included in the five priority axes, the first two being directed towards innovation: A1 - An innovative and eco-efficient production system and A2 - Research, development and innovation for competitiveness.

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Preoccupations in the Field of Integrated Reporting

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Abstract

A growing number of organizations offer through the reports prepared at the end of the financial year, in addition to financial information, more and more non-financial information.

In this paper we try to clarify what makes the difference between these two categories of information, why is necessary to provide non-financial information and how is it reported.

We also bring into discussion some references existing in the international accounting regulations, European directives and Romanian accounting regulations on the provision of non-financial information and we present some aspects concerning the requirements for recognition in the financial statements of certain categories of non-financial elements and some regulations existing or applicable in the field of certification of non-financial information.

Key words: financial information, non-financial information, integrated reporting, integrated audit.

J.E.L. classification: M41

The transition from financial reporting to integrated reporting aims to ensure a greater transparency of the organizations' activities by reflecting the connections between financial and non-financial factors which influence the registered performance.

Opinions on distinction between financial and non-financial information are varied and sometimes contradictory. In what follows, we present only some of them we considered representative.

Thus, the International Corporate Governance Network uses the term *non-financial* to refer to *information relevant to the assessment of economic value, but which does not fit easily into the traditional*

accounting framework [9, p. 4], considering that, when reported, this information allow the disclosure in both quantitative and qualitative terms of those drivers that increasingly shape company performance.

Koninklijk Nederlands Instituut Van Registeraccountants understand through non-financial information *all quantitative and qualitative data on the policy pursued, the business operations and the results of this policy [...] without a direct link with a financial registration system* [10, p. 5].

According to other sources, non-financial information is *all information reported to shareholders and other stakeholders that is not defined by an accounting standard or a calculation of a measure based on an accounting standard* [2, p. 83], *qualitative information included in company annual reports, but outside of the four financial statements and related footnotes* [13, p. 72], being sometimes identified with contextual information provided in narrative form to users, information on intangible assets or information on sustainable development.

Generally, through integrated reporting there are offered three types of information: *economic* (especially, of accounting nature); *social* (about the safety of product in use, the quality-value relationship for the products offered, the satisfaction of customers, the knowledge and experience of the employees, the development of human resources, the health and safety at work, the facilities offered to staff or members of their family, the humanitarian initiatives materialized in supporting the creation of hospitals etc.); *environmental* (about the climate changes, the land contamination, the water pollution, the genetic modifications of the organisms, the positive impact on the environment, the use of natural resources etc.).

A special category of social information which presentation in financial reports becomes, in certain circumstances, absolutely necessary, is that relating to prosum

activities. The term *prosum* refers both to the creation of goods or provision of other types of services for own use or own satisfaction and to unrolling activities for others without waiting for a consideration [4, p. 142].

Among the *prosum* activities which can be unrolled by employees or persons outside the entity, we mention: offering unpaid assistance for short-term problems; freely giving valuable information; carrying out voluntary activities without receiving a monetary rewards for the time spent, skill shown and, eventually, risk assumed; free repairing goods without the existence of some contractual obligations etc.

A broader approach encompasses, in addition to economic, social and environmental information, issues concerning: the corporate governance (mission, objectives, strategies, policies, risks, opportunities, innovations etc.), the ethics (codes of conduct, anti-fraud measures etc.), various key performance indicators (on the progress of the organization, industry-specific aspects, indicators used in internal decision-making process and other indicators) etc.

If for financial reporting there are international standards, in terms of providing non-financial information we can't talk about globally accepted regulations, but a series of attempts of some renowned bodies to support the identification, measurement or quantification and reporting of such information by developing guidelines or frameworks: *Connected Reporting - A Practical Guide with Worked Examples* (Accounting for Sustainability), *Key Performance Indicators for Environmental, Social & Governance Issues: A Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation* (European Federation of Financial Analysts Societies), *Sustainability Reporting Guidelines* (Global Reporting Initiative), *ICGN Statement and Guidance on Non-Financial Business Reporting* (International Corporate Governance Network), *Non-Financial Information in Progress - A Guide to the Reporting and Assurance of Non-Financial Information in the Public Sector* (Koninklijk Nederlands Instituut Van Registeraccountants), *Guidelines for Multinational Enterprises* (Organisation for Economic Co-operation and Development).

We also mention that, through the collaboration of several internationally recognized bodies, including Accounting for Sustainability and Global Reporting Initiative, was established IIRC (International Integrated Reporting Committee), an entity whose purpose is to create a globally accepted integrated reporting framework.

References to the disclosure of certain non-financial information we already find in the content of international financial reporting standards, European directives and Romanian accounting regulations for economic agents.

Thus, IAS 1 *Presentation of Financial Statements* requires that entities include in the notes to the financial statements, together with financial information, non-financial information of the kind indicated by IFRS 7 *Financial Instruments: Disclosures*, such as, for example, information on exposures to risks arising from financial instruments, methods used to measure these risks, objectives and policies for managing the risks etc.

In addition, IASB has recently developed a framework for narrative presentation, in a separate report, called *Management Commentary*, of some additional information of that included in the financial statements which enables the interpretation of financial position, performance and cash flows of the entity in an appropriate context. Thus, according to *IFRS Practice Statement Management Commentary*, the report mentioned above, whose preparation is optional, should contain information that is essential in understanding: the nature of the business; management's objectives and strategies for meeting those objectives; the entity's most important resources, risks and relationships; the results of operations and their future trends; the indicators used to evaluate performance against stated objectives etc.

When presenting *the annual report* (document which is published together with the annual accounts or, if permitted by the laws of a Member State, may be made available to the public free of charge at the company's registered office), the Fourth Directive (after subsequent amendments made by Directive 2003/51/EC) requires, under Article 46, paragraph 1, letters a and b, that it include *at least a fair review of the*

development and performance of the company's business and of its position, together with a description of the principal risks and uncertainties that it faces, and, to the extent necessary, the analysis include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters (regarding the obligation to provide non-financial information, Member States may choose to exempt entities that do not exceed certain size criteria).

Also, according to the same article, paragraph 2, letters a, b and c, the report will indicate *any important events that have occurred since the end of the financial year, the company's likely future development, activities in the field of research and development*, and according to the letter f (added by Directive 2001/65/EC) *the company's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the company's exposure to price risk, credit risk, liquidity risk and cash flow risk*, if this information is material for the assessment of assets, liabilities, financial position and profit or loss.

The same Directive, Article 46a (added by Directive 2006/46/EC), requires companies whose securities are admitted to trading on a regulated market to include in a specific section of the annual report *a corporate governance statement*. Among the information that this statement shall include are mentioned: a reference to the corporate governance code to which the company is subject and/or the code which the company may voluntarily decide to apply and/or all relevant information about the corporate governance practices applied beyond the requirements under national law, a description of the main features of the internal control and risk management systems in relation to the financial reporting process, the composition and operation of the administrative, management and supervisory bodies and their committees etc. With the authorization of Member States, this information may appear in a separate report published together with the annual report or as a reference in the annual report indicating the company's website where such document

is posted.

The requirements of the Seventh Directive, with subsequent amendments, on the content of *consolidated annual report* are similar to those of the Fourth Directive, an important difference consisting in the absence of the obligation of providing a statement on corporate governance. However, entities whose securities are admitted to trading on a regulated market will also include in the report mentioned above information on internal control and risk management systems in relation to the process for preparing consolidated accounts.

The Order of the Public Finances Ministry no. 3055/2009, with subsequent amendments, requires that the economic agents prepare for each financial year *the managers' report or the managers' consolidated report* which contains information similar to that included in the annual report and consolidated annual report, respectively. We also find here a special attention given to the internal control, one of the sections of the order extensively referring to it. Besides, Sarbanes-Oxley Act, Section 404 *Management Assessment of Internal Controls*, also requires that entities provide information on internal control, even through a separate report.

Moreover, some non-financial information, if we understand by this contextual information, information on intangible assets or indicators that use accounting information, are already provided by the financial statements of the economic agents.

Organizations from different countries of the world provide non-financial information in some sections of the annual reports (Management's Discussion & Analysis - mandatory in U.S.; Operating and Financial Review - once mandatory in UK; Business Review; Management's Report; Sustainability Report etc.), in the financial statements or a separate report (Corporate Social Responsibility Report; Corporate Citizenship Report; Environmental, Social and Governance Report etc.).

In what follows, we'll reflect on the possibility of recognizing in the balance sheet or income statement of certain intangible assets and free offered services to/by the entity, without going into details about other non-financial information extensively discussed in literature, being known so-called

social accounting or so-called *green accounting*.

How the physical form or the existence of a property right is not essential for determining the existence of an asset, we ask ourselves under what conditions certain intangible elements, namely, the additional knowledge of employees, both scientific and common, with a significant contribution in the process oriented towards obtaining economic benefits, could be included in the balance sheet. Even if the entity may expect that the employees will continue to make these means available to it, usually, the entity can not exercise sufficient control over the expected economic benefits, having no power to restrict the access of others to the same means than, where applicable, by copyrights, confidentiality clauses and other legal rights. Thus, the presentation in the balance sheet is allowed only if the knowledge is protected by legal rights to use it and to obtain the future economic benefits expected from it and the other conditions for recognition these means available to the entity are met.

Regarding the prosum activities, when these are revenue-generating services, the difficulty of their recording in the accounting of the Romanian entities is caused, inter alia, by the lack of information in this respect in the regulations. Moreover, neither the European directives nor the international accounting standards provide information on the recording of such services in accounting. However, FASB, through SFAS 116 *Accounting for Contributions Received and Contributions Made*, refers to the services received by donation, arguing that these shall be recognized in the financial statements when: 1) create or enhance a non-financial asset or 2) require specialized skills, are provided by individuals possessing such skills and would typically need to be purchased if not provided by donation. Nevertheless, it remains opened the following question: what we'll place in the counterpart of the revenues from donations that meet the criteria for recognition in accounting?

Integrated reporting requires integrated audit. This involves the provision of additional services by the auditor who must have knowledge of the examination of the non-financial information. Among the regulations already existing or applicable in

the field of certification of non-financial information, we mention: AA1000 *Assurance Standard* (AccountAbility), COS 3410N *Assurance Engagements Relating to Sustainability Reports* (Koninklijk Nederlands Instituut Van Registeraccountants), IAPS 1010 *The Consideration of Environmental Matters in the Audit of Financial Statements* and ISAE *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (International Auditing and Assurance Standards Board).

The inclusion in the financial reports of some non-financial information, along with financial ones, which could explain or justify, to some extent, the changes produced in the structure of various patrimonial elements, supports the decision-making process by increasing the transparency of the activities unrolled and the results obtained by organizations.

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The European Commission Forecast on the Global Economy under the Economic Crisis

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Abstract

This paper illustrates the role of a relevant and balanced analysis on the development of the sustainable economy, by means of global economic forecasts under the contemporary crisis. The forecasts of the European Commission and World Bank are short-termed, since the dynamics of the global economy is emphasized and adversarial, which makes it impossible to predict on medium or long term. A distinct part of the multinational corporations' analysis aims at their impact on national economy and the global economy, the GDP evolution and the decrease of the EURIBOR interest rate.

Key words: interbank market, capital flows, interest rate reduction, corporate income.

J.E.L. classification: F23

1. Introduction

Following the bankruptcy of Lehman Brothers in September 2008, the wholesale credit markets have become completely dysfunctional, and the trust among the participants in the financial market has dissipated completely.

In an effort to avoid a collapse of the global financial system, the Governments and central banks intervened, at first instance, by granting access to banks for short-term financing. Shortly afterwards, some major banks have been forced to go out of the business. Also in Europe, the Governments have adopted drastic measures to strengthen the banks' capital. In this way, they have ensured the solvency of banks and their ability to continue providing credit to the non-financial private sector.

2. The Adopted Measures

In the euro area, the Central European Bank has stepped up efforts to support bank liquidity, by simplifying its monetary policy, extending the due to refinancing operations and the adjustment of its guarantee policy. In the last seven months, the CEB has lowered the reference interest rate in several stages, with 300 basic points (bps), from 4 725 percent on October 8, 2008 to 1.25 percent in late April 2009.

E.U. also acted decisively, by announcing, on 16 October 2008, a package of financial support measures, including new schemes of insurance, the recapitalisation of banks with the help of public funds, Government guarantees for bank loans and asset conversion/acquisition of banks in order to increase access to liquidity. So far, the Member States have undertaken 270 billion euro in the recapitalisation of banks and about 3,200 billion for improving the banks access to financing (through securities, the exchange of assets, etc.). [1]

In order to avoid creating undue distortion of competition between the Member States, the European Community, the Commission and the CEB have provided guidance to the Member States relating to the different types of public intervention. Moreover, an impressive set of legislative initiatives has been or is being adopted by the E.U. and the Member States in the areas of financial services policy and regulatory structures. The European Union has campaigned to persuade the G20 to adopt a set of principles for reforming the global financial sector.

Actions carried out by the Governments and Central Banks around the world seem to have managed to bring a degree of stabilization of the financial system, even if

the markets and financial institutions remain under considerable stress. Moreover, the large-scale political interventions have

involved the Governments in assuming considerable financial risks, which led to the

Table 1. The EURIBOR evolution (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	2,67	2,76	2,96	2,99	3,06	3,24	3,32	3,44	3,55	3,70	3,72	3,85
2007	3,92	3,97	4,02	4,12	4,24	4,30	4,37	4,72	4,75	4,59	4,71	4,76
2008	4,39	4,39	4,73	4,88	4,92	5,12	5,15	5,15	5,29	4,89	3,95	3,03
2009	3,06	2,21	1,95	1,69	1,57	1,47	1,33	1,15	1,09	1,01	1,01	1,00
2010	1,00	1,00	1,00	0,94	1,00	1,00	1,04	1,14	1,14	1,02	1,01	1,00

Source: www.euribor.org

deterioration of the situation of the public finances, which were anyway affected because of the economic activity decline. Indeed, the problems in the banking system have increasingly expanded more on the real economy, with the sudden entry of the major economies in recession, thereby creating a negative feedback loop for the financial sector.

The CEB interest rate reductions and adjustments to the lending regulations have helped to mitigate the progressive movement of loans and risk associated with their peak reached in October 2008 (this interest rate is used as the reference rate for financial products worth trillions of Euros).[2]

2.1. The EURIBOR Evolution

The EURIBOR was about 60 bps in the late April 2009, well below the peak of nearly 200 bps. in the autumn of 2008, but still with more than 10 bps. higher than in normal periods (see Table 1). [3]

The three-month EURIBOR interest rate, the main indicator of interbank crediting uncovered in Euro and banks expectations regarding the appetite for borrowing and interest, has climbed in October 2010 at 1,025% from 1,016%, reaching a new maximum of the last 15 months.

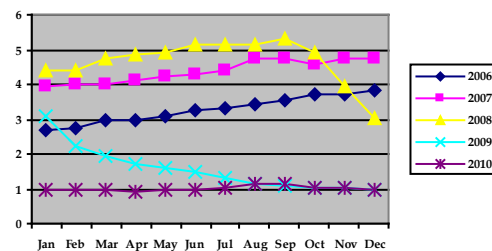
The interest rate has exceeded the CEB's monetary policy, of 1%, for the first time since July 2009. [4]

The three-month interbank interest rates are normally higher than the CEB'S key rate, but the Central European Bank's strategy to provide to the markets unlimited funds, at a reduced interest rate, during the crisis, have toppled this trend.

Other indicators of the interbank market have improved their level, when they have reached the same peak in October 2008. This situation results from the decreasing number of banks participating weekly to the CEB's refinancing operations. Moreover, the banks have reduced the amounts placed in the CEB.

Even though these trends are encouraging, they are not necessarily an evidence of normalization of the situation on the interbank market, but rather a direct response to the interest rate reduction on deposits with the CEB to 0.25%.

*Figure 1: The EURIBOR Trend
2006 – 2010 (%)*



Source: Personal analysis

2.2 Other Financial Measures

Despite the extensive support measures implemented by the Member States, the E.U. banking system remains under considerable stress. The investors' confidence in banks has been undermined by the gradual disclosure of losses related to the depreciation of assets. The E.U. banks have already announced such losses of nearly 290 billion Euros from the beginning of the crisis.

However, the concern about the depreciation of the assets of the banks has extended beyond the so-called "toxic" securities, to a much wider range of assets, including commercial mortgage loans-backed securities and loans for the purchase of cars.

Because the real economy situation has deteriorated sharply, issues of insufficiency of assets are likely to expand more, including now corporate loans and a wider range of consumer credits.

The consolidated and aggregate capital and the reserves of E.U. banks have improved modestly, since October 2008. This improvement reflects a substantial injection of capital from the Governments of the Member States, without which the economy may have significantly deteriorated. Only a few large banks in the E.U. have managed to raise private capital, since October 2008.

The geographical exposure of the banks has also become a source of uncertainty for investors. Banks in the "old" Member States have approximately 950 billion Euros foreign debt in the "new" Member States and in other emerging European markets, in total about 82% of the total foreign claims. In absolute terms, the most exposure has the banks from Austria, Germany, Italy and France. In terms of GDP, the cross-border bank exposure to the region reaches 68% of Austrian GDP, 27% for Belgium, 23% for Sweden, 17% for Greece and 14% for the Netherlands.

Challenges for the banking sector in Central and Eastern Europe may arise both from the funding process and of the assets. Given the high proportion of short-term debt and long-term assets in their balance sheets, many banks face asymmetric maturity risks. The strong dependence on short-term external financing could make some countries (notably Bulgaria, Hungary, Romania and the Baltic States) vulnerable to a sudden stop of capital flows. Therefore, close monitoring and prudent management of nonperforming loans should be performed.

Due to the uncertainty about the quality of the balance sheet of banks, investors began to focus more on economic affairs than on capital. On this basis, the rate required by capital markets as an evidence of solvency of banks, appears to have increased well above lows regulated, which could have significant implications for banks' lending activity.

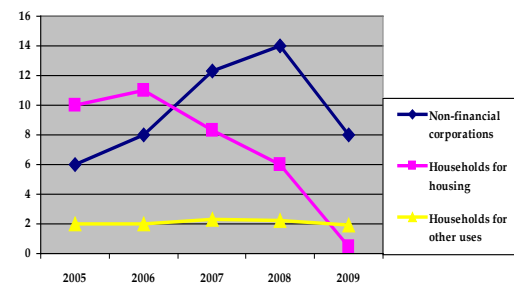
In February 2009, the annual growth rate

of outstanding bank loans still remained positive, but declined by 0.7 percentage points from the previous month. The general decline of the stock of bank credit to the private sector in the euro area began to manifest in 2008 and is caused by factors related to both supply and demand. Problems in the banking sector involve constraints on the supply of credit, because banks try to strengthen the balance sheet situation, becoming increasingly more opponents of the risk in a bad economy. However, the slowdown of credit is due, largely, also to the demand reduction as a result of the economic downturn.

The bank credit to households began to decline in the first of all, a process that will continue for more than two years. In February 2009, the annual rate of change decreased by 0.7%, which is the effect of lending with reduced mortgage.

The bank loans to corporations initially seemed to be less affected by the financial crisis. However, the credit cycle has turned. The yearly decline of loans to non-financial corporations reached 7.6% in February 2009, which represents a notable deceleration sequence.

Figure 2: The Loans Trend in the Euro Area (%)



Source: Personal analysis

The financial situation of households sector was adversely affected by the financial crisis by financial losses (of wealth) and loss of housing. The sudden price drop of a wide range of financial assets had a significant impact on wealth households, directly or indirectly, through pension funds.

Meanwhile, the housing prices are either declining or growing slowly across the E.U. The inflation rate in the euro area house prices fluctuated between 5.5% and 7.5% in 2002-2006, but slowed to 2.7% in the first

half of 2008. The housing prices fell and sales volume decreased significantly. In some Member States, was even recorded a significant decline in levels of these prices (Ireland, Spain, United Kingdom).

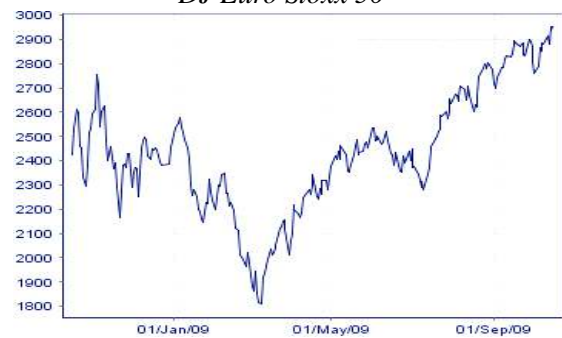
Amid high levels of debt, the loans to households began to decline. This reflects the toughest conditions on the credit supply and credit conditions.

On the other hand, the overall financial costs for households have declined steadily from the end of 2008, reflecting, in particular, reduce interest rates for short-term loans (even if the rate is still at a high level). Furthermore, in response to the negative effects of the income, the consumers are encouraged to increase their savings in the next 12 months.

The non-financial corporate sector's financial situation in the E.U. deteriorated from mid-2008. As the financial crisis has advanced in the real economy, the corporate earnings have come under increasing pressure and incentive for business development collapsed. Despite the positive developments in March and April 2009, reflected in the higher revenues than expected earnings reports from several major banks and the most recent measures adopted by monetary and fiscal authorities, DJ Euro Stoxx 50 index ranges about half of its maximum quotation in June 2007. (see Figure 3).

A tightening of the external financing conditions would put additional pressure on the corporate sector. The companies in E.U. now keep substantial cash balances, but the internal financing capacity is still low due to the decline in corporate earnings. As a result, the access to external financing will be crucial to avoid liquidity constraints.

Figure 3: The Current Evolution of
DJ Euro Stoxx 50



3. Conclusions

While banks have tightened the lending standards, almost from the beginning of the crisis, the non-financial corporate sector lending has been relatively unaffected by the end of 2008. Since then, this process has undergone a slowdown.

The value of the corporate bonds in euro declined in the recent months, the change being more pronounced for the bonds rated BBB, riskier than the AAA rated ones.

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Dynamic Global Economic Models

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Abstract

This paper highlights the historical trajectory of the global economic forecasting models of type GEM (Global Economic Model) and a comparative analysis of advantages and limitations offered by each model. The GEM 2004 is based on the correlation that exists between the academic scientific research and the existing economic policy models, which after its application, resulted that real GDP in the euro area will increase as a result of higher capital stock and number of hours worked. Consumption will increase as a result of increased investment and depreciation of the euro, while investments will be influenced by the economic reforms implemented. The GEM 2007 is a multiregional model covering the global economy that allows the analysis of the bilateral trade flows and the relative prices for each region.

Key words: evolution of the work, government consumption, government investment, public procurement, GDP growth.

J.E.L. classification: F23

1. Introduction

In the context of deepening globalization, the policy makers, the international organizations, the multinational corporations and even the individual experts showed the overall need for dynamic models, able to quantify and predict the human socio-economic evolution.

The global models have evolved, both in terms of quality and number of restrictions taken into account. Moreover, the restrictions global models must take into account the

international constantly changing situation, so that they can be used to quantify the economic development in crisis conditions, for example.

The global economic models can be analyzed in terms of quality, during three general stages.

2. The GEM 2004 Model Analysis

The first stage is related to the GEM 2004 model. This model provided a non-technical approach to the development, based on microeconomic connections developed in the IMF Research Department. The GEM 2004 has as predecessor the MULTIMOD model, which was focused on the analysis of the interdependencies between the countries of the world. [1]

The evolution of the macroeconomic models can be divided into the following steps:

The Keynesian approach of adaptive expectations: this approach has allowed researchers to assess the impact of economic policies and other cyclical shocks in a uniform manner. The main shortcoming of this approach is that it allows the politicians to mislead the public opinion by creating a bias related to the expansionary macroeconomic policies. This approach was reflected in the growth models made by Flemming and Mundell. [2] [3]

The Keynesian approach of rational expectations: it allowed generating a more realistic response to the cyclical economic malfunctions. On the other hand, this approach does not seem to be strongly grounded in the theory, which is a challenge for the analysis of the effects of economic policy on the aggregate supply. The most known model of this type is MULTIMOD. [4]

The real business cycle approach: it has a strong theoretical foundation, which improves the approach in terms of supply and allows the direct determination of economic welfare. The use of price flexibility premise limits the macroeconomic policy analysis. Such a model is the Mendoza model. [5]

Dynamic stochastic general equilibrium approach: it integrates the supply and aggregate demand responses by the microeconomic theory. Models in this class are in an early stage of development and they are characterized by construction and implementation - related difficulties. The GEM is a part of this class of models, with its different variants.

3. The GEM 2007 Model

The GEM 2007 model was implemented by specialists of the National Bank of Canada. They extended the standard GEM model by introducing the analysis of sold and unsold goods traded sectors, including petroleum products, namely those nonpetroleum [6]. In addition, the oil sector was split into oil production and petroleum products for retail consumption.

The GEM 2007 is a multiregional model, covering the global economy that allows the analysis of bilateral trade flows and their relative prices (including exchange rates) for each region.

The model splits the world economy into five regional blocs: Canada (CA), USA (U.S.), the emerging countries of Asia (AS), the goods exporting countries (CX) and the remaining countries (RC) (see Table 1)

*Table 1: Regions Analyzed by
GEM 2007 Model*

Region	Component states
CA	Canada
US	U.S.A.
CX	OPEC countries (Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela), Algeria, Argentina, Australia, Azerbaijan, Bahrain, Brazil, Chile, Indonesia, Mexico, New Zealand, Norway, Oman, Russia and South Africa
AS	China, Hong Kong, India, South Korea, Malaysia, Philippines, Singapore and Thailand
RC	The U.E.25 Member States and Japan

Source: Lalonde R., Muir D

Each of these five regional blocks consists of:

- the companies (monopolistic type), which produces raw materials, intermediate and final goods;
- two categories of households (to differentiate their limited liquidity of consumer perspectives), which is consuming final goods and constitutes the labor supply factor for companies;
- the government, which consists of a tax authority that consume goods and services financed by taxes and loans, and a monetary authority that influence short-term interest rates through the monetary policy.

In the GEM 2007, the companies cover the goods offer for domestic and foreign consumers and they cover their own work factor necessities from the country analyzed. The firms also need intermediate goods, which they purchases from other domestic or foreign production companies.

The consumers, in turn, size the demand for domestic and foreign companies' goods and provide the employment factor for national companies.

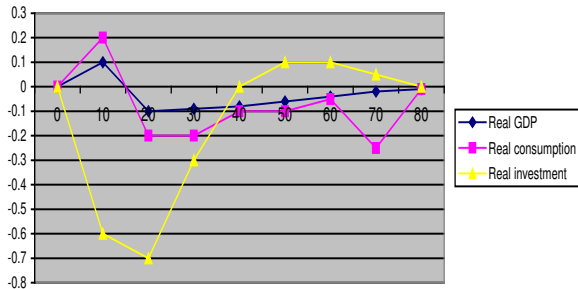
The model in its nonlinear form can be regarded as a system characterized by functions of demand, supply and prices and uses the elasticity constant of substitution of function type ESC.

The practical use of the GEM 2007 is based on the following assumptions:

- for areas affected by the impact of the foreign countries (rest of world), the regional indices are explicitly incorporated into the notation;
- the productivity trend is the same for the world economy. All the quantitative variables in the model are expressed in terms of the trend. But increasing the productivity is only one component of economic growth. Another component is population growth, but the model assumed that this increase is zero during the forecast. In addition, all prices are considered relative;
- the non-explicitly indexed variables are expressed in average terms of capital;
- the forecasting periods are quarters and the variables have annual values.

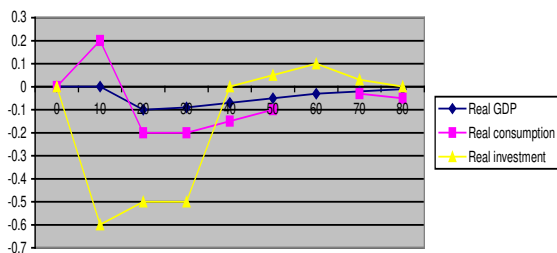
After the simulation of the GEM 2007, the result is a different economic development in regional blocks (see Figures 1 - 4). The largest quarterly growth rates will continue to have the emerging countries in Asia.

Figure 1: Quarterly evolution of GDP, consumption and investment in Canada (%)



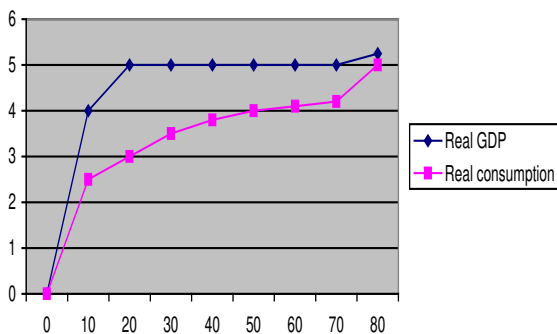
Source: Personal analysis

Figure 2: Quarterly evolution of GDP, consumption and investment in USA (%)



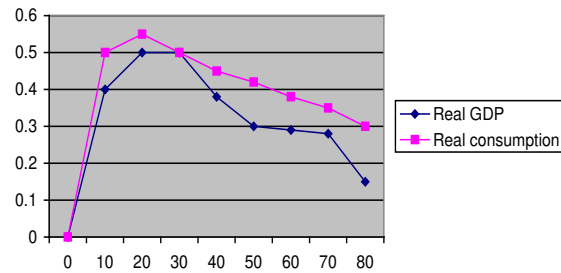
Source: Personal analysis

Figure 3: Quarterly evolution of GDP, consumption and investment in Asia emergent states (%)



Source: Personal analysis

Figure 4: Quarterly evolution of GDP, consumption and investment in EU and Japan (%)



Source: Personal analysis

4. The GEM 2008 Model

The latest version of the GEM model was made in 2008, in the U.S. [7] According to this model, the economy is analyzed in the following sectors:

- households: they consume final goods and provides employment factor to all national companies. Some of these households have no access to capital markets. They finance their consumption exclusively with income from work. Other households benefit from the national companies and the national capital stock, which they rent to these companies. In addition, they buy and sell two types of titles: national, denominated in the national currency and international.

When households sell or buy international debt, they pay a prize (commission) to the financial intermediaries, whose size depends on the situation of the country's total net assets.

Labor and capital factors are considered property internationally. The capital market is competitive, and the capital accumulation is influenced by the adjustment costs. On the factor work market, the wage contracts are relatively rigid.

- companies: they produce final goods and offer brokerage services. In each country, there are two categories of final goods: the consumption goods and the investment goods, which are produced by firms in a market with perfect competition.

The consumer goods are purchased by households or government. The demand for the investment goods is supported by the private and public sector agencies. The final

goods are produced by using all available inputs of intermediate goods.

There are a variety of intermediate goods, each one being produced by a single company, which operates on a monopolistic market. The intermediate goods are produced using domestic labor and domestic capital factor. The intermediate goods can be non-marketable or tradable on the international market.

The non-marketable intermediate goods can be purchased by the government or used to produce final goods.

- government: it acquires the two categories of the final national goods and non-marketable services. Due to the Treasury, the government finances its net expenditure tax imposed on the private sector nationwide. Through the central bank, the government handles the nominal interest rate on short-term. The monetary policy is considered as a credible commitment of the government to ensure price stability by influencing the nominal interest rate on short-term.

5. Conclusions

The GEM models provide a microeconomic construction, which allows an integrated analysis of the positive elements and the economic welfare.

These results were the motivation to achieve a new forecast for the global economy. In developing our forecast, we started from the global economy evolution during 2005-2010. Data series structure aimed at satisfying the GEM model in order to achieve a unified approach to the global economic development issues.

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The Influence of the Fiscal Policy in Perpetuating the World Crisis

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Abstract

This paper aims to stress the impact of the fiscal measures in the perpetuation of the current economic and financial crisis. In our approach, we have studied the set of companies with debts towards the state in the category of large companies in Romania. The database published by ANAF includes 558 large companies classified in eight activity branches. Also, we applied a questionnaire concerning the measures adopted by the micro-companies in order to fight against the effects of the economic crisis. An alarming conclusion is the fact that the penalties for the non-payment of the amounts due to the state budget dramatically weaken the strength of large companies, and the compliance with the principle of the continuity of the activity is seriously questioned. The liquidity of companies can be improved by changing the VAT legislation.

Key words: budget overdue debts, economic crisis, descriptive analysis, VAT.

J.E.L. classification: M48

1. Introduction

The economic-financial crisis, which started in 2007 and whose end is uncertain, is a worrisome subject for many people.

As an antidote to the economic and financial crisis in Romania, which has affected the business environment, generating a decrease in liquidity, an increase in the unemployment rate, as well as in the risk concerning the impossibility to ensure the liquidity level necessary for the economic agents to perform their current activity, and

in the context in which the Member States of the European Union have taken measures to support the economic operators in order to diminish the effects of the world economic crisis, Romania's Government has adopted the Emergency Order no. 92/2009 for delaying the payment of the overdue debts as a result of the effects of the economic and financial crisis.

Besides the measures adopted by the Government, we have attempted to identify the practices adopted by companies in order to ensure their survival in the new economic conditions. To this purpose, between February and March 2011 we applied a questionnaire made up of 20 questions concerning the measures adopted by the micro-companies in three activity fields (services, commerce, and industry), with the purpose of ensuring the continuity of their activity in the economic "chaos".

We have also been concerned with performing a radiography of the budgetary overdue debts for 2009: we have analyzed all the big companies with debts towards the state, according to the data published by the National Agency of Fiscal Administration, identifying the peculiarities of each activity field: agriculture, processing industry, production and supply of electrical and thermal energy, gas, hot water and air conditioning, water distribution, sanitation, waste management, decontamination activities, constructions, commerce, transport and storage, brokerage and insurance.

As a result, our article is structured on two fundamental axes: a descriptive one, of the debts of the large Romanian companies towards the state budget for 2009, and an analytical one, minutely drawn, of the measures adopted by micro-companies in order to counter the negative effects of the financial crash.

Following our approach, we have obtained the coordinates of the commercial credit policy, of the financial policy, and of the investment policy of the micro-companies of Iași, and we have performed a comparative analysis of the field distribution of Romanian companies indebted towards the state budget at the end of 2010, in spite of the legal measures adopted by the government.

2. Measures and compromises...

As a result of globalization, the economic-financial crisis has been transmitted in waves of various amplitudes, sweeping all continents one after another [1]. The current crisis is unique in that it is based on the superposition of three crisis types, which started in different moments and which have distinct characteristics: a liquidity crisis, a financial crisis, and a crisis of capitalism as a model. This extremely rare combination explains its scope and deep effects, incomparable with those of the recession period between 1929 and 1932 [2].

At a world level, the most important topic under debate in the last three years has been connected to searching solutions for eliminating the crisis. The economic crisis is still under way. Its effects are visible, but the measures taken to fight these effects are tightly connected with the specificity of the business environment, of culture and of society values, of the existing resources, of the fiscal policy, etc.

In our approach, we have studied a sample of 42 companies in the region of Iași, classified into the following activity branches: services, commerce, and industry. The purpose of our research is to determine the impact and the effects of the economic crisis on the analyzed companies, as well as the measures adopted by the management in order to overcome the difficulties generated by the new economic context. A percentage of 26.2% of the sample is represented by micro-companies, 71.4% by SMEs, while large companies represent 2.4% of the companies included in the analysis [3].

After processing the received answers, we have noticed that, in general, the economic-financial crisis has led to the suspension of activity for 14.6% of the companies and to a decrease of the accounting-financial results for 73.2% of the cases. In this recession

period, 4.9% of the companies have managed, however, to achieve better results.

The delay between the term for paying the debts to the providers and the average term for collecting the commercial debts can have a significant influence on the liquidity of a company. Therefore, in our research, we have been concerned with identifying the commercial policy measures, considering that it is vital for insuring the success in an unstable economic environment. In this context, for the activity fields of *Services* and *Industry*, we can notice a negative evolution of the commercial credit policy, as only 2.70% of the companies have succeeded in delaying the payment of their debts after a renegotiation of their contracts with the suppliers, while 5.41% of the same category of companies recover their debts in a longer delay. For the *Commerce* field, the situation is much more favorable. 10.81% of the companies have obtained longer payment deadlines, and 8.11% of the companies have reduced the deadlines for cashing in the granted commercial credits after renegotiating their contracts with the customers. Only 2.70% of the companies have been more permissive in what concerns the deadline for debt collection from their customers in order to keep the contracts that had already been closed.

In what concerns the **funding policy**, the companies have avoided contracting new bank credits. The SPSS output reveals that 40.54% of the companies in *Services*, 18.92% of the companies in *Commerce*, and 10.81% of the companies in *Industry* have not resorted to bank credits.

The flat-rate tax has generated many controversies. Criticized or considered beneficial, the flat-rate tax remains a reality that meant the suspension of activity for many micro-companies. At the level of the analyzed sample, for 29.73% of the companies in *Services*, the introduction of the minimum compulsory tax has meant a heavy fiscal burden, and 13.51% consider that this measure has had an extremely negative effect on their financial performance. In *Industry*, 8.11% of the companies have not been affected by the introduction of the flat-rate tax, while 5.41% of the managers stated that the minimum tax has had a very negative impact on the economic and financial results.

A solution to the financial block caused by the lack of cash is to compensate credits with debts, and the regulation that allows compensating the reciprocal obligations between legal entities is H.G. no. 685/1999 for the approval of the methodological Norms concerning the monitoring of unpaid debts of the tax payers (legal persons) on time, in the view of diminishing the financial block and the economy losses, and of the Regulation for compensating the unpaid debts of the tax payers (legal persons) on time. The object of the compensation regulation is to successively compensate the reciprocal payment obligations between legal persons, based on compensation orders.

The beginning of the economic crisis has actually meant opening "Pandora's box" for most companies, which suffered significant losses in their economic results or had to suspend their activity.

3. A radiography of budget overdue debts

The analysis of the budget overdue debts is the first step in the direction of adopting efficient measures that would stop the economic collapse. At the same time, although the Fiscal Council strongly recommends paying the existing debts to the private environment as fast as possible, even before other expenses, practice proves the opposite.

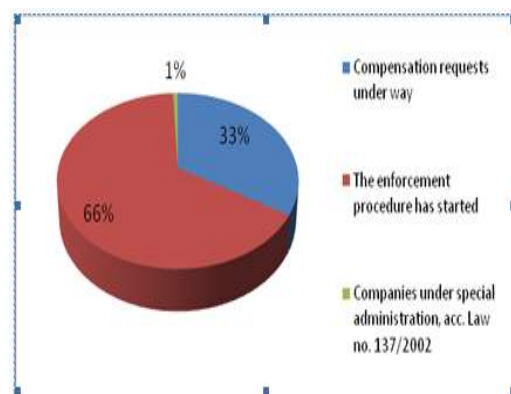
The period of economic crisis has rewritten the history of the beginning of the 1990s, when a sudden transfer towards a new economic mechanism occurred. Surprised completely unprepared, the existence of numerous Romanian companies has been conditioned by the non-payment of their debts and by accumulating overdue. At the same time, we cannot deny the influence of subjective factors in the evolution of the overdue debts, such as the poor quality of management, the fluctuations of the decision makers in applying appropriate economic policies, etc.

The results of the dynamics analysis of the debts towards the state budget may lie at the basis of the evolution of the efficiency of the governmental measures aimed at fighting the economic crisis. In order to collect the overdue debts, financial administration bodies may apply all the collection methods

mentioned in the Fiscal Procedure Code, which are: summons, attachments on bank accounts, attachments on the incomes of third parties, distraint on fixed and mobile goods, attracting the joint responsibility of the administrators, associations, or shareholders. Companies that are entitled to request VAT refunds have however the obligation to wait for an exaggerated period of time, so that deadlines are exceeded by entire months. Therefore, since companies must pay a VAT for any issued bill, although it has not been collected yet, plus accessories for delays, but they cannot force the state to refund their value-added tax, their liquidity, including the premise of the continuity of activity, become weak points.

In figure 1 we present the structure of the indebted companies according to their situation at the end of 2010. For most companies (66% of them), the enforcement procedure has started, and for 33% of the overdue companies, there are compensation petitions under way. Only 1% of the companies are under special administration, according to Law no. 137/2002, which establishes the legal frame for accelerating the privatization process.

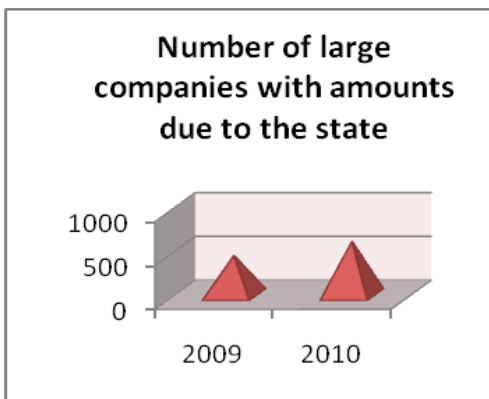
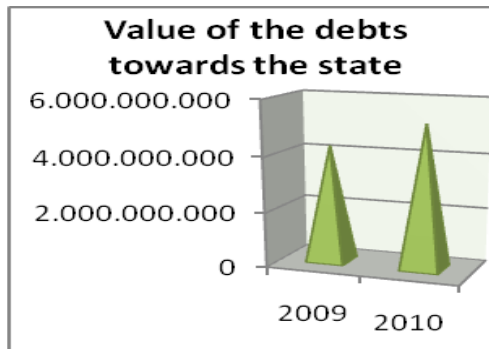
Figure 1. Ratio of large companies indebted to the state budget at the end of 2010, on the three activity fields



Source: output SPSS

As an extended effect of the economic crisis, an increase occurs in the amounts due to the state budget compared to 2009, as well as in the number of indebted companies. Most debts come from the value-added tax and from interests and penalties, which have a different weight for each activity field.

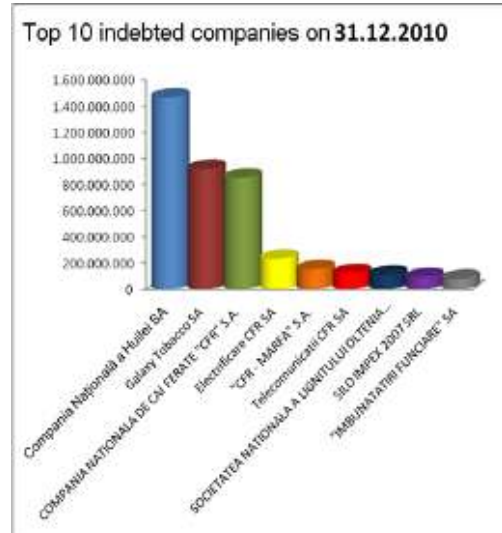
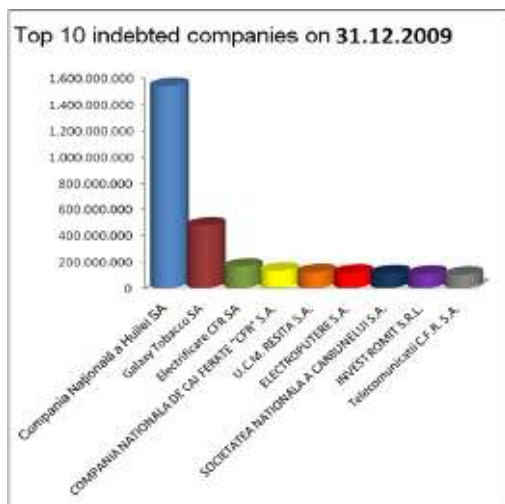
Figure 2. Evolution of the number of indebted companies and of the value of the debts towards the state budget during 2009-2010



Source: output SPSS

It is also important to remember that the first 10 companies in the top have the highest ratio of the total debts to the state budget: in 2009, they had a weight of 78.69% of the total debt. In 2010, the weight decreased by 10.22%, reaching 68.47%.

Figure 3. Top 10 companies indebted to the state budget at the end of 2009 and 2010



Source: output SPSS

Besides the overdue penalties that the indebted economic agent has to pay, and which often imply an important effort from the latter, in some cases, they will also have to pay for the enforcement procedures, which are often quite high. We mainly refer to the expenses related to the evaluation of the distraint goods and those involved by the publicity of the tender announcement in the local and national newspapers, which can amount to 1600-2000 dollars and even more, if the press announcements are repeated.

Contracting a bank credit in order to pay for the possible overdue debts has higher advantages. It would imply paying an interest of at most 15-16% per annum, compared to an annual interest of 36% payable in case of non-payment penalties, within the legal deadline, of the due fiscal obligations.

4. Conclusions

Economists may demonstrate, based on graphic analyses, that the current economic and financial crisis was to be expected. The cyclic nature of economy will always lead to the same result. However, the solutions to diminish the effects of the crisis are in our hands, as a result of the acquired experience of the lessons provided by history [4].

In periods of economic crisis, managers have to be more cautious and make more efforts to save their business. After processing the answers obtained from the application of the questionnaire to the managers of the 42 companies in Iași, we have noticed a channeling of their efforts to

stay on the market. By changing the object of their activity or resorting to selling assets for covering their bank credits, renegotiating the contracts with their business partners or reducing the operational expenses, their purpose was the same: surviving in crisis conditions.

The perpetuation of budget overdue debts has a negative impact on the actual economy and delays economic recovery. The non-collection of the VAT from the state budget can paralyze the activity of a company and, as a result of the domino effect, of several other economic agents.

The solutions to the economic crisis should not be searched in monitoring the companies indebted to the state, but in paying the state's debts to the private environment and in the privatization of the state companies, which are great consumers of resources, especially if we consider that the debts of the state company account for 5% of the GDP, according to the conclusions of the seventh evaluation of the stand-by agreement.

Coming back to the title of the paper and analyzing the measures adopted by the Government, are we entitled to state that, for Romania, the fiscal policy was and still is a factor for perpetuating the economic crisis? Without the intention to convince, we consider that some legal measures, beyond their objective, have represented inhibiting factors for micro-companies. It is enough to mention the introduction of the flat-rate tax, the payment delay of the due VAT and the value of the interests and penalties calculated for not paying the debts to the state budget on time. On the other balance pan, we should nevertheless place the decisions of the Government that have allowed delaying the payment of the debts to the state budget and compensating commercial debts and credits.

5. Acknowledgment

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Efficient Optimization Methods of all Technological Process by Development the Production Transfer Process

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Abstract

Since the economic crisis affected the industrial companies, to maintain the products quality and number of orders received, some companies had to implement efficient optimization methods of all technological process by development the production transfer process. The main objective of this paper is to analyze and describe the process of quality assurance in case of production transfers within a supplier's organization. The production transfer from one supplier to another supplier has to be handled as a complete component release. The aim of this process is to ensure that the supplier agrees changes to products, processes, tooling or production site (transfer), or deviations from drawings or specifications, with the customer at an early stage. The relevant lead buyer is responsible for monitoring the implementation of the transfer process at the supplier and the affected supplier is responsible for implementing the process at his company.

Key words: production transfer, product, supplier, risk, plant.

J.E.L. classification: L60

1. Introduction

The economic crisis is a present and controversial subject at this time. As a result of globalization, the economic-financial crisis has propagated in waves of various amplitudes, sweeping all continents one by one [1]. In the current economic context, managers must rethink the entire business and any decision made has a boomerang

effect, having the potential to make the difference between the continuation of activity and its termination [2].

The challenges facing manufacturing firms in many developing countries include adopting the right technology, using it efficiently and continuously reviewing production processes in order to stay abreast [3]. Technology is recognized as one of the most important factors for remaining competitive in the global business environment [4].

When the production of a certain grade is transferred to a second process or another plant, it is very important to achieve identical-grade quality from both production sites. This ensures that customers who receive the product will not notice any difference between the grades from different plants [5]. Technology transfer, being a manifestation of knowledge transfer, is the transmission of knowledge that enables the recipient firm to manufacture a certain product or provide a particular service [6].

The product life cycle can be divided into three stages: new product stage, mature product stage and standardized product stage. In the new product stage, the product is manufactured in the home country and introduced into foreign markets through exports. In the mature product stage, as technology becomes sufficiently routine a firm's export position becomes threatened, the firm is induced to produce abroad, generally in other advanced countries. Finally, as the product becomes completely standardized, production will be shifted to low-cost locations in developing countries [7].

2. Product and production transfers

Industrial companies continually face the challenge of reducing costs while maintaining quality [8]. Effective technology transfer helps to provide process efficiency and control and maintain product quality. Technology transfer contributes quality-by-design principles by identifying critical quality attributes, the key manufacturing parameters that affect those attributes and ways to control those manufacturing parameters. In several ways, technology transfer enables continuous improvement of the manufacturing process. When technology transfer is performed correctly, it benefits all stages of a product's life cycle. Effective technology transfer is particularly important when conveying manufacturing process knowledge about current products to contract manufacturers [9].

A product transfer is a change of the production location within the company or a change from in-house to external production (purchase) or vice versa, if only the tooling, devices and documents for production of the affected products are transferred. When transferring within the company, information must be exchanged between planning of manufacturing locations, product line and central data management.

A production transfer is defined as a change or localization in the production location for existing products within the company, where all necessary production resources are transferred or sourced as new (e.g. machinery, plant facilities, assembly and measurement equipment etc.). The personnel required at the receiving plant are trained in advance as necessary. The risk level assessment assesses the risk of a transfer project at the start of the project.

Transfer conditions: change in the production location for existing products within the company, technology in the receiving plant not available, training required, machinery/facilities are being transferred.

Transfer restriction: if the risk level assessment for the production transfer indicates a significantly reduced training requirement in conjunction with the movement of machinery for identical or strongly related processes, the particular case can be processed in low-risk cases as a

product transfer.

Addition: even if the conditions for a production transfer are not fulfilled, the particular case can be processed with project management and planning of manufacturing locations.

3. Activities relating to the production transfer

This chapter presents an internal procedure for transfer notes from suppliers. This study was conducted to an automotive industrial company from Brasov.

For approval of modification request from the supplier, the supplier is obliged to request the customer's approval prior to a transfer and to send the completed transfer checklist for production transfers to the lead buyer at the same time. The lead buyer receives this application and the completed checklist and takes the responsibility for processing and internal coordination. After checking the modification approval document and the checklist, the lead buyer will give the internal release, or he will send the written rejection of the modification approval to the supplier. The basic pre-condition for the supplier is that the receiving plant is approved in accordance with the company's regulations. In case it is not an approved plant, approval must be granted by means of a potential analysis. An unsuccessful potential analysis will cause a rejection of the transfer.

For transfer planning the supplier presents at the customer, the points project management, changes between receiving and delivering plant, training concept, planning of preproduction and traceability of batches. The invitation is issued by the lead buyer. The participants on company's side are lead buyer, application engineering, receiving plant and supplier development. Further activities may be required on the basis of the points presented by the supplier and previous experiences with the supplier.

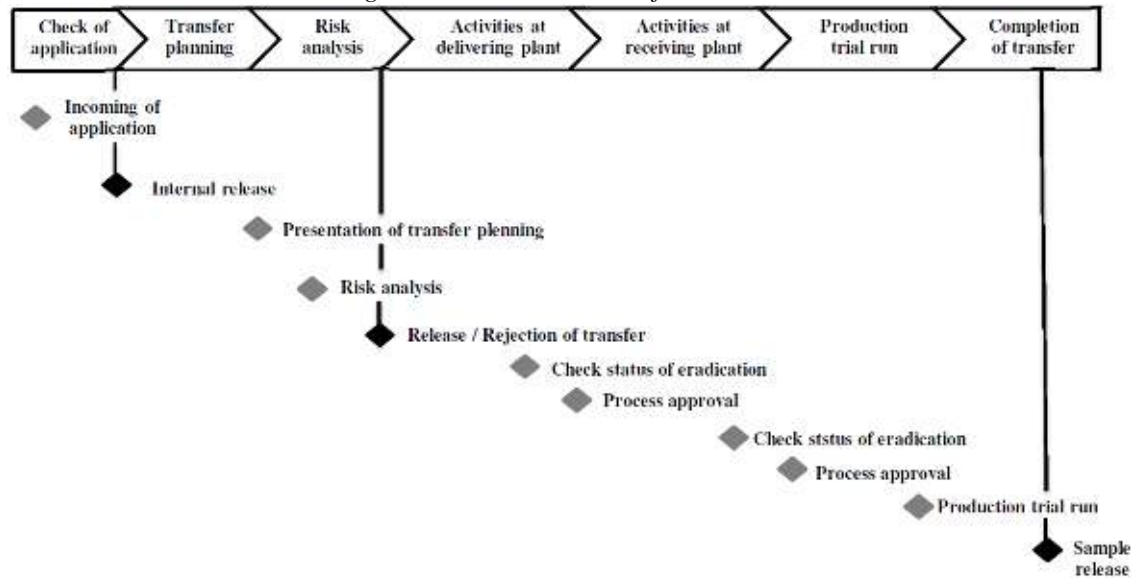
On the basis of the presented planning of the transfer and previous experiences with the supplier, is performed the risk analysis. It is also necessary to coordinate the extent to which customers of the company have to be notified of the transfer by application engineering. The result of the risk analysis is a release with or without additional requirements and the definition of the

necessary expenditure for assistance or the rejection of the transfer request.

In case of a release of the transfer request, a classification in low, medium and high risk has to be done. The classification is the basis for the necessary expenditure for assistance: low risk (evaluation of the supplier's presented transfer planning documents),

medium risk (evaluation of the supplier's presented transfer planning documents) and high risk (evaluation of the supplier's presented transfer planning documents). The lead buyer is responsible for the definition of the company team and for overall control (in coordination with the relevant technical departments).

Figure 1. Production transfer activities



Regarding the activities at supplier's delivering plant, the supplier presents at the customer the point's project planning, buffer stock, process capabilities and planning of training. Corporate supplier development is responsible on the customer's side. The lead buyer, application engineering, receiving plant and supplier development are participants on customer's side. Further activities may be required on the basis of the points presented by the supplier and previous experiences with the supplier.

Regarding the activities on supplier's receiving plant, at start of production, the supplier presents at the customer the points project management, safe relocation, documentation and logistics. According to the necessary expenditures for assistance the process approval is granted on the basis of the initial samples, an on-site initial sample approval, an on-site inspection of the processes at the receiving plant and/or process release at the supplier's receiving plant using process audit resp. Corporate supplier development is responsible on the customer's side. The lead buyer, application engineering, receiving plant and supplier

development are participants on customer's side. Further activities may be required on the basis of the points presented by the supplier and previous experiences with the supplier.

For production trial run at receiving plant, the team member of the receiving plant assures that for a defined quantity of parts a production trial run will be performed and for a fixed period specific quality assuring activities will be implemented. For this a serial order will be started, with specific coverage by the team member of the receiving plant.

After a successful production trial run and the successful initial sample release of all affected part numbers by the receiving plant, the production transfer process will be closed by the release of the initial samples and this means completion of the transfer.

4. Conclusions

Transfers in the sense of production transfers are carried out by means of project management and the decision on a possible

product transfer is made in consultation with the product line and planning of manufacturing locations and documented.

The project manager with main responsibility prepares a project plan with support from the general project coordinator and the project manager at the receiving plant. This project plan contains the most important milestones and transfer steps, the summarized sub-projects, the degree of completion, the persons responsible and the start and end dates. Continuous monitoring of activities should help to improve the consistent realization of planning.

The responsible project managers at the delivering plant and receiving plant are equally responsible for the success of a project (tandem concept). The overall responsibility for the transfer and start up production of the transferred products lies with the project manager at the delivering plant, except for when the receiving plant is technologically more advanced than the delivering plant.

Transfers extending over a longer period can be divided into several transfer stages. The process of production transfer from site one of a supplier to site two of the same supplier is divided into three phases: transfer planning and classification of risk, activities delivering plant and activities receiving plant. At the end of each phase the supplier has to present the status of implementation at his company. In the case of transfers, an audit is to be planned at the delivering plant prior to moving machinery and at the receiving plant once the move is complete.

In production transfers, employees of the receiving plants are to be trained usually before machinery is moved. The training serves to communicate theoretical and practical knowledge of products, machinery and processes. The delivering plant notifies the receiving plant of the training times and the required qualifications at an early stage in the transfer planning phase so that personnel selection or the appointment strategy can be defined.

The risk potential for the activities is identified from a structured, overall assessment viewed from four different perspectives and based on defined criteria, data and processes. A further course of action is decided on and documented within the team on the basis of the identified risks. The

aim is to identify the risk potential associated with implementing a transfer and the subsequent definition and documentation of the decision on the appropriate process, as well as the definition of measures with the persons responsible in order to reduce the risks.

5. Acknowledgement

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Meetings, Incentives, Conventions and Exhibitions (Mice) Industry in the Global Context

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Abstract

Tourism has taken another step in responding to requests for more and more demanding markets: a complex, sophisticated product (well done or well organized) and at reasonable cost. MICE is now regarded as a contemporary form of tourism, something "fashionable" to diversify tourism products of a country or region. MICE is an acronym used for international Meetings, Incentives, Conventions, Exhibitions. The international industry is one of the largest in the organization of fairs and congresses, but also a tourist segment that will be developed in the future. MICE is the sector that is growing most rapidly in the travel industry. It is estimated at 300 billion euros.

Key words: MICE industry, tourism, global trends, economic crisis.

J.E.L. classifications: L83

1. Introduction

MICE (meetings, incentives, conferences and exhibitions) segment represents one of the fastest growing sectors within the travel and tourism industry generating important revenues for all the cities and countries which became MICE destinations. Europe and United States are the major markets in respect of the number of meetings, conferences and exhibitions.

Nowadays, we face-off a non-standardization terminology for MICE tourism. The acronym MICE is still in widespread use around the world, despite its somewhat unfortunate connotations. In

Canada this is adjusted to MC&IT: meetings, conventions and incentive travel.[1] Even in Europe, after some authors, is preferred term of "business tourism", and, in the meantime, in Australia is used the term "business events". But the dispute on the terminology of MICE or business tourism or events will continue, so we will refer to MICE as the best term for meetings, incentives, conferences and exhibitions.

MICE tourism is fundamentally different from general business tourism as it has everything to do with tourism industry infrastructure, marketing and perception and several crucial levers that exist within the City's ability to expand demand in this sub-sector. [2] Tourism is a staple industry for many country's economy. It is a service industry providing a generous distribution of income to all sectors of the economy, including those directly related to tourism such as resorts, restaurants, transport and activity providers and souvenir shops as well as those that are indirectly involved such as communications, advertising, public relations, and produce suppliers. In addition to revenue, the tourism industry, and more specifically the MICE industry, creates jobs and the potential for knowledge exchange between people of the same professions leading to national human resource development.

Within the tourism industry, the MICE sector is singled out as an alternative component, a must for numerous destinations, especially due to the significant advantages involved by the development of this type of tourism. The key characteristic of the MICE tourism is the fact that it can be incorporated into any type of offering, no matter the resources available at the

destination, as long as a wide range of services targeted at the business customers are available.

Within the development strategies of certain regions, MICE is listed as a top priority, not only because it leads to the creation of important social-economic benefits, but also because it might prove to be the most appropriate solution for reducing the seasonality faced by those destinations. For example, numerous resorts in areas with high seasonality consider the development of the MICE sector as a key objective, investing significantly in the infrastructure required for such events, in order to be able to yield economic benefits during the off-peak season, when the demand for tourism services is limited. Among the benefits of organizing such events we can list the boost in the demand for tourism services during the peak season from clients who otherwise would have opted for a different destination, as well as the extension in the length of their stay by clients attending events (such as fairs, expos, sport events) not initially part of their travel plans. In other respects, this kind of tourism also plays a major part in generating a positive image of the destination, having the potential of becoming a key factor in the marketing of a specific destination

2. About MICE Industry

The Meetings, Incentives, Conferences and Exhibitions sector consist, at the beginning, of activities including conventions, trade shows, seminars, events, exhibitions and incentive travel, then extends the number of activities included in the MICE sector to include workshops, press conferences, symposiums, forums, panels, lectures, and colloquiums. [3]

A *meeting* is defined as an event designed to bring people together for the purpose of exchanging information, either from within one company or organization or from a broader spectrum of people: cocktail functions, product launches, lunch dinner and breakfast meetings, as well as special occasions such as weddings would constitute a meeting as defined by the WTO. Meetings held by corporations and other businesses are classified as corporate meetings, while those held by associations are referred to as association meetings. [4]

Figure 1. The International Meetings market from ICCA Report

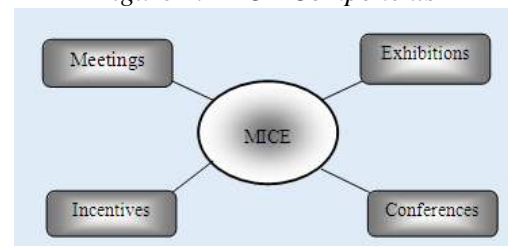


Incentives are the second category of this market segment and include travel to a foreign country or domestically as part of a motivational incentive scheme to increase or reward employee effort. The definition of *conferences* is highly contentious but is generally accepted as being a multi day event having at least 100 delegates attending the event for the purpose of exchanging information.

Exhibitions involve the bringing together of people for the purposes of viewing products and services.

The Meetings and Events Industry encompasses all facets related to the planning, staging and evaluation of meetings and events, including: customer, in-house organiser, Professional Conference Organiser (PCO) now commonly termed "Meetings Manager", venues including convention centres, hotels and attractions, airlines, tour companies, special events organisers, suppliers (everything from satchels to names badges), audio-visual production houses, staging, themeing. [5]

Figure 2. MICE Components

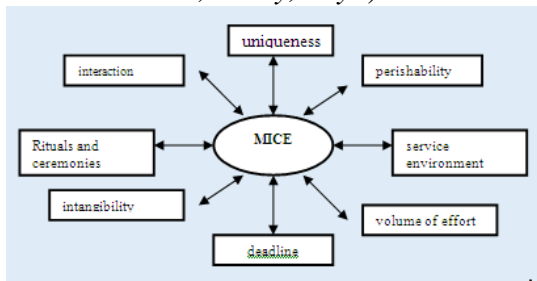


There are three types of MICE benefits:

- Primary benefits: direct gains in case of MICE locations, PCOs, PEOs, DMCs organizers and hotels;
- Secondary benefits are obtained indirectly from sectors such as food, and entertainment attractions, travel agencies and tour operators, shopping, transportation, communications, banking, labor employed temporarily, importers of goods, etc.
- Tertiary benefits represent amounts that can not be calculated and measured precisely, it is beneficial for the country / region / destination translating the overall gain in technology transfer, international trade, positive image.

Although the MICE features have a lot in common with the services sector in general and with the hospitality and travel industry, the main characteristic of these consist in the uniqueness of a certain event. Each event differs from another taking into consideration variables such as: the number of participants, service environment, audience, etc.

Figure 3. MICE characteristics(after Shone, A., Parry, Bryn)



Perishability derives from the first feature mentioned and is caused by the customization of the services for every individual business event. At the same time, services offered cannot be stored and are consumed only if the event is taking place.

Service environment—of all characteristics of a meeting, the service offering and environment play a major role both for the organizer and for the client. A business event placed in an appropriate environment can be hugely successful, while an unsuitable environment can lead to the failure of an otherwise well-organized one. Besides the environment, the role of the organizer is to decide the number and the type of the services needed to guarantee the success of

the event, based on the requests made and the available budget.

The more complex a meeting, the higher the *volume of effort* required from the organizers, and the higher the number of personnel required. Organizing issues, the huge number of processes required to set-up and run a business event, the need of permanent communication with the beneficiaries, all these require intense human efforts, as well as significant time and material resources.

At the same time, business events are organized based on specific *deadlines* that must be met to guarantee the success of an event.

Intangibility, a typical feature of the services, means that it is impossible for somebody to actually “touch” an event. The only tangible aspect is the overall experience: being part of the event, the enjoyment of the experience and one’s later memories about the event.

Rituals and ceremonies, such as staging traditional ceremonials or remembrances of significant historical events can be parts of an event. Numerous events are inherently based on people’s desire to celebrate dates, historic events and other important moments in the life of their communities. [6]

The success of the event becomes also a function of the participants’ involvement and reaction to the event itself (for example, the real participation of the individuals in the attendance of a workshop).

3. The impact of MICE over the tourism and travel industries

The MICE sector is a valuable producer of tourism income, investment, foreign exchange earnings and jobs. The meetings incentives conferences and exhibitions sector of the tourism industry has experienced important growth all over the world, with many destinations and venues having already invested in major MICE facilities. The first conference cited was held in 1896 in Detroit, Michigan when a group of businessmen first realised the economic value of hosting meetings. [7]

In 1998, UIA identified over 184 countries, which have held MICE events. [8] According ICCA, the most rapid growth has

occurred in Asia. Africa and Eastern Europe have recently entered the MICE market, the USA has the maturest MICE market. The USA has lost part of its market to newly developing MICE destinations such as Asia.

Table 1. Numbers of MICE events between 2000-2010

AN	Number of MICE events
2000	5186
2001	5262
2002	6090
2003	6294
2004	7524
2005	7825
2006	8549
2007	9036
2008	9610
2009	9255
2010	9120

Source: ICCA, 2000-2010

Statistically it was demonstrated upon many marketing studies, being an important source of incomes for the local economy and for the community, the MICE Industry is nowadays sustained in all developed countries by the resort organisms who seek the strategic development, creating a suitable ambit at a legislative level and investments in order to achieve dinamic opportunities of growth in this sector.

Table 2. Distribution of meeting by continets, 2010

Europe	54.1%
Asia	23.1%
America (North & South)	15.7%
Africa	4.9%
Australasia / Pacific	2.4%

Source: ICCA 2011

The ICCA stats display a total amount of 400.000 annual conferences, exhibits and fairs organized all over the world, with a total income of 280 billions USD.

The most important international MICE markets are USA and Europe, while a continental rank shows Europe as a leader in the top preferences of the MICE clientele, Western Europe holding 60% of the total events of this kind.

As a present tendency, new East European competitors like Russia, Hungary, Bulgaria and Romania appear on the market having as advantage the possibility of cheaper offers than the traditional European destinations, upon the development of the turistic infrastructure with an orientation on this sector.

Table 3. Top 10 meetings organizers

	Country	2008	2009	2010
1	USA	637	595	623
2	Germany	450	458	542
3	Spain	385	360	451
4	Italy	350	350	341
5	UK	381	345	399
6	France	397	341	371
7	Brasil	255	293	275
8	Japan	281	257	305
9	China	262	245	282
10	Switzerland	217	227	244
48	Romania	46	42	39

Source: ICCA, 2010

The whole range of the MICE components have a great impact on the tourism industry, being extremely benefic taking into consideration the advantages that result from their organization: the sales growth of the transportation services, the increase of the hotel occupation range, additional incomings obtained through the commercialization of the service offers, real profits obtained by the economic agents who sustain the operations(hotel, catering service, travel

agency, etc), incomings for the connective industries(from technic and equipment dealers, alimentary dealers and even the companies specialized in floral decorations, taxes and fees from the state budget, creating new jobs, the development of the general and specific infrastructure) represent certain advantages for the event organi organizers and for the community.

4. Trends in the meetings, incentives, conventions and exhibitions industry

The Meetings, Incentives, Conferences and Events market is a rapidly expanding market for destinations offering the key components important to these segments of the tourism industry.

The MICE industry is characterized by the "*Three Highs*—high growth potential, high added-values, and highly beneficial innovations"; the "*Three Larges*—large output, large opportunities for employment, and large industry associations"; and the "*Three Advantages*—advantage over other industries in human resources, technological know-how, and the efficient utilization of assets." [9]

In an increasing competitive global marketplace, the conference and meetings industry will have to adapt to change and respond to external influences for survival. In order to remain competitive, this sector needs to respond to a number of challenges that will face the industry in the near future.

These responses are:

- to upgrade conference venue infrastructure and to develop new products.
- to invest in human resource development for the industry in order to become an attractive career option, and to improve employee motivation.
- to implement and utilise new technologies that facilitate the successful organisation and delivery of conferences and meetings.
- to continue to invest in marketing strategies in order to stimulate the growt .
- to lobby government for support in terms of funding and investments. [10]

MPI (Meetings Professional International) considers that the number of meetings, suggestions for activities, as well as the

number of participants and level of spending per event/meeting will increase in 2012. At the same time, clients interested in such events expect to receive a higher slice of their organizations' budgets to support this anticipated increase in their needs. However, everybody is suspicious about the accuracy of such predictions, especially because of the state of the worldwide economies and the boost of oil prices that will result in higher travel costs.

In a world in which terror attacks and economic crises are a current occurrence, more and companies use e-conferences as a solution that saves them both money and time. Small and medium-sized companies in the US and Europe use phone conferences and virtual meeting more and more often, resulting in significant savings in their travel budgets. Virtual meetings become more and more widespread as companies' top and middle management tend to keep themselves updated on the latest development in this area. While this trend is obvious to all observers, lack of available statistical data makes the efforts of quantifying it ineffective.

On the other hand though, the technological developments play a vital role in the MICE sector not as a replacement for the face-to-face interactions, but as a tool that facilitates the efforts of the organizers of meetings, incentives, conferences and events. New technological tools on display at MICE fairs all across the world show ways for organizers and buyers of such technologies to improve the efficiency of their work.

Climate changes (and carbon emissions in particular) are a top priority on the agenda of MICE associations. Most of these associations work together from a desire to educate their members on adopting "green" policies. This new tendency is becoming more and more visible in the policies of the organizations that promote conference centers, hotels, and airlines that adopt environmental-friendly practices as part of their daily business practices. Statistics show that companies adopting "green" policies wind up with cost savings, while also reducing the carbon emissions.

Among the other factors affecting MICE demand are:

-Domestic and international economic stability and all economic crises that affected the different continents in the last 20 years had as result for MICE industry the tendency to cancel important meetings and smaller budgets dedicated to organizing business meetings by: reducing the number of delegates; reducing the budgets for catering and food services; the use of less expensive locations (like 3-star hotel instead of a 4 stars - compromising quality).

-Exchange fluctuations can have positive or negative effects on the MICE industry events by relocating to countries that offer the exchange rate advantage, becoming good value for money destinations.

Even though at this moment Europe and the US hold the supremacy in the MICE sector, Middle East and Asia are quickly closing the gap. Due to consistent and significant investments in infrastructure, the endorsement of the respective governments, and the involvement of powerful organizations that support the development of this sector as a way to attract new clients and, implicitly, create new sources of revenue for organizers and the countries involved, the afore-mentioned areas witness a considerable increase in the number of events.

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Innovativeness and Adoption of Innovation under Crisis Conditions

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Abstract

Innovativeness is the engine of human progress and wealthness, and thus, our way out of this economic crisis. However, economic crises can drive different trends to the innovation propensity of both firms and consumers. This article focuses on the factors that influence innovativeness and on the assess of innovativeness trend during the current economic crisis. The article sets that global innovativeness has a positive trend under crisis circumstances and that consumers kept propensity for adopting innovations.

Key words: innovativeness, adoption of innovation, economic crisis, R&D, consumer's behavior

J.E.L. classification: D91, D92, M 31

1. Introduction

Innovativeness is considered one of the key factors in overcoming the current economic crisis. Although innovativeness is required in any economic circumstances, during a crisis period it becomes imperative for a firm's survival. Therefore, firms are forced to innovate in order to maintain their positions on the market, or, at least, avoid bankruptcy.

Such strategy has to take into account the changing consumer behavior, negatively influenced by his financial constraints. As a general feature of a crisis period, consumers become less willing to try new products, as their risk aversion rises.

Thus, firms have to face two opposite forces: the competition that forces them to innovate, and the consumers that, theoretically, suppress their innovative side. Under this circumstances, only the best

marketing strategies can shirk from both dangers.

On the other hand, the use of crisis to leverage innovation is a wide topic in the management literature [1][5]. Doyle and Krauskopf acknowledge that „crisis can be a powerful agent for introducing and rapidly adopting innovation.”[3]

2. Literature review

According to Rogers, „the innovation process consists of a sequence of five stages”: agenda-setting, matching, redefining/ restructuring, clarifying and routinizing. As well, Rogers suggests five characteristics of innovations that influence the adoption: relative advantage, compatibility, complexity, triability and observability [9].

Technology acceptance model suggests that perceived usefulness and perceived ease of use are the major factors in the adoption of innovation [2].

If we consider the individual, adoption of innovation depends on the consumer innovativeness, which is defined as „a consumer's propensity to adopt new products” [13]. Usually, in the marketing literature, consumer innovativeness is measured on the ground of trait theory, which states that consumer behavior is influenced by personality traits. For instance, Rogers proposes three types of personal characteristics which influence the consumer innovativeness: socioeconomic characteristics, personality variables and communication behavior [9].

Schumpeter splits innovations into several categories: introduction of a new product or a qualitative change in an existing product, process innovation new to an industry, the opening of a new market, development of new sources of supply for raw material and other inputs, and changes in industrial organization [12].

However, the most used classification of innovations is given by OECD in the Oslo Manual [8]:

- Product innovation – the introduction of products that are new or highly improved in terms of features, utility or performance;
- Process innovation – the introduction of new or highly improved manufacturing methods. Usually, process innovations aim to reduce costs, to increase productivity or to sustain forthcoming product innovations.
- Marketing innovation – the introduction of new marketing tools that changes profoundly the marketing policies of the company;
- Organisational innovation – the introduction of new organisational activities, methods and tools that changes the organisation structural and functional mechanism.

As can be seen, these categories consists two fundamental types of innovations: technological and non-technological. Some narrow views of the innovation process considers just the technological side of the innovation, neglecting the non-technological paths. Nowadays, it's clear that research and development (R&D) is just a part of the innovation process, and a company can be appointed as innovative without having a performant R&D department. Nevertheless, there are many firms that combine technological and non-technological innovations, adopting a complementary innovation strategy.

3. Objectives, Hypothesis and Method

This paper consists of an exploratory research of the innovativeness issue, integrated in a larger research project, which aims to explain and to assess the brand influence on the adoption of the product innovations.

The objectives of this paper are:

O1: To analyze the conflicting factors that influence the innovativeness during an economic crisis period.

O2: To state a general orientation of firms towards innovation during an economic crisis period.

O3: To determine how consumers innovativeness is influenced by the economic crisis.

O4: To assess the global innovativeness trend under the economic crisis circumstances.

We adopt the following hypothesis that are to be verified or invalidate by the current paper:

H1: Generally, companies restrict their R&D budgets and try to neutralize the leader as much as possible.

On many markets, there are few companies that invest great amount of many in R&D activities, and many other companies that try to copy, as well and as fast as possible the innovators.

H2: Consumers have the same propensity to adopt innovations as they had before the current economic crisis.

H3: Global innovativeness keeps a stabile trend under the economic crisis period.

Despite the negative effect of the economic crisis on the population incomes, we presume a constant predilection for innovations.

The main methods used in this research are the empirical analysis, statistical analysis and the case study.

Millot proposes trademarks as indicator for product and marketing innovations. Several studies show a positive correlation between trademark counts and other indicators of innovation diffusion. [6]

One of the most meaningful indicators of innovativeness is the number of new patents. Thus, this research is based on the statistical figures of new patents applied to the United States Patent and Trademark Office (USPTO) from 10 of the largest economies in the world by GDP from 2000 to 2010: United States, China, Japan, Germany, France, United Kingdom, Brazil, Italy, India and Canada.

4. Analysis and Results

First of all, we consider relevant to take a look at the conflicting factors that influence the population's propensity for innovations under economic crisis circumstances. As negative elements can be mentioned:

- The decrease of the population's incomes that restrict the expensive innovations adoption;

- The increasing risk aversion perceived by individuals under economic crisis conditions;
- The pessimistic expectations of the population, drawn by the negative previsions given by the media or other influential factors.

The most important positive arguments for adoption of innovation are:

- A more careful assessment of the products before buying, that can strengthen the consumers' trust on the new products;
- The need of finding more efficient products in order to save money on a long term (i. e. low consumption cars);
- Many of the personal characteristics that influence the consumers' innovativeness are not sensible to an economic crisis, as it is stated below.

As well, the economic crisis brings contrary arguments for the companies innovativeness. These means that any change that occurs in the companies behavior towards innovation can be explain by one of the following arguments. The reasons of a company's innovativeness decrease under crisis conditions are:

- The lack of financial resources (own or borrowed) to support the expensive R&D activities;
- Every innovation contains the risk of failure, so the risk management becomes a sensible aspect as many other risks rise during an economic crisis;
- The decline of salaries, that usually occurs under crisis conditions, drive to less motivated employees, less eager to implement innovations.

On the other hand, crisis inconveniences can have positive influence on the companies innovativeness, such as:

- The fall of some products' sales needs to be covered by new products' sales to exploit completely the production capacity;
- The need of finding more efficient production processes drives to the adoption of process or organisational innovations;
- The need to gain a better position on a more and more competitive market drives to the adoption of marketing si product innovations;

- The specific income designs offered to the employees, that pays more for performance, encourages the employees to struggle for adopting and implementing innovations of all kinds.

As it was mentioned, there are enough arguments for companies to adopt all kind of innovations: product, process, marketing and organisational. While regarding product innovations companies have different orientations, almost all companies adopted some process or organisational innovations such as: cost reductions managed by a better control of the technological losses, cost reductions managed by a better use of time, innovations regarding the organisational communication and labor relations.

The pace of innovativeness can negatively affect the consumers' adoption. „A firm may be unwilling to introduce a new technology if it seems highly probable that future technological improvements will shortly be forthcoming” [10]. The same reasoning is displayed by the technophiles who delay the buying of the new gadgets, such as e-book readers [4]. As the adopter anticipates further improvements or innovations on the field, he usually prefers to expect those ones. Basically, that's why many companies don't market their innovation immediatly after it's ready, looking for the best moment when can be more successful.

This analysis help us understand how the innovativeness can be influenced at the level of a producer or a consumer, but doesn't allow us to distinguish which have the conclusive impact on the consumer's behavior towards new products. Therefore, the next step of this research is to have a look at the consumer. Having in mind the three types of personal characteristics that influence the consumer innovativeness, proposed by Rogers, we can analyse how an economic crisis may affect the adoption of innovations.

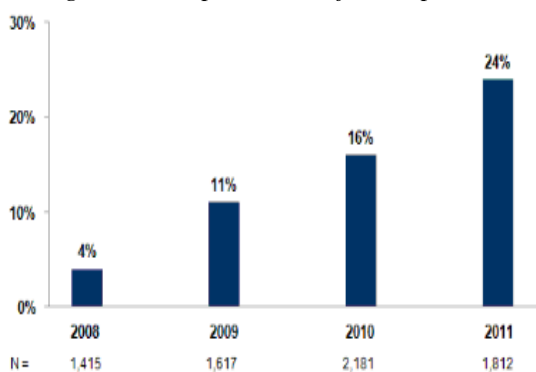
The socioeconomic characteristics suggested by Rogers are: formal education, literacy, social status and degree of upward social mobility [9]. Of all these, only social status may be sensitive to economic crisis, as the social hierarchy changes under economic turbulences. The observation that wealth and innovativeness go hand in hand drive us to the conclusion that if the crisis affect wealth, can affect personal innovativeness also.

Personality variables that Rogers consider important in the consumer innovativeness are: empathy, dogmatism, ability to deal with abstractions, rationality, intelligence, risk aversion, fatalism and higher aspirations. The most obvious causality is the one between economic crisis and risk aversion. A high risk aversion inhibits consumer in trying new products. Although risk aversion is granted to consumers, we can talk also about the risk aversion of the companies. Moore proposes three outcomes of all innovation efforts of a firm: neutralization, differentiation, productivity and waste [7]. The first three outcomes are desirable for the firm, but the last one represents in many cases the larger part. Wasted innovation may be unsuccessful attempts of innovation or innovations that don't generate profit. Thus, if a firm's management anticipate a high probability of waste in the innovation process, it confines the innovation inside the firm.

According to Rogers, the communication behavior variables that influence the consumer innovativeness are: social participation, interpersonal networks, cosmopolitaness, change agents and opinion leadership [9]. None of this variables can be notably affected by economic crisis.

To enforce the conclusions of this research, we will briefly analyse a case study which we consider relevant: smartphones adoption. The first smartphone was the IBM Simon, designed in 1992 and shown as a concept product [11]. It took 15 years for smartphone to obtain large acceptance and adoption. After the first iPhone release in 2007, smartphones have had a great adoption growth, as can be seen in Figure 1.

Figure 1. Adoption rate of smartphones



Source: www.infotrends.com

It's obvious that iPhone success encouraged many phone manufacturers to copy the functional characteristics in a struggle to neutralize some of its advantages at a lower price. This manufacturers turned their R&D efforts into a quest for the most direct technologies to implement the functions of their competitors' products.

Finally, we analysed the numbers of new patents applied to USPTO between 2000 and 2010, by companies, institutes and other entities from the 10 countries mentioned above. As it was mentioned before, this figures are precise indicators of global innovativeness.

In order to evaluate the annual evolution of the new utility patents we calculated the chain-based indexes and the and the relative modification. In order to verify the hypothesis H3, we calculated the average relative annual modification for the period 2000-2007 and the same indicator for the period 2008-2010 (see Tabel 1).

Tabel 1. Relative annual modification average of the number of utility patents

Country	Relative annual modification 2000-2007 (average)	Relative annual modification 2008-2010 (average)
United States	-0.479%	11.5319%
China	37.9683%	51.4415%
Japan	1.4659%	10.8723%
Germany	-1.296%	12.2726%
France	-2.194%	14.0156%
UK	-1.194%	10.7099%
Brazil	2.9482%	28.0351%
Italy	-3.359%	12.3315%
India	23.661%	28.3078%
Canada	0.1463%	14.2439%

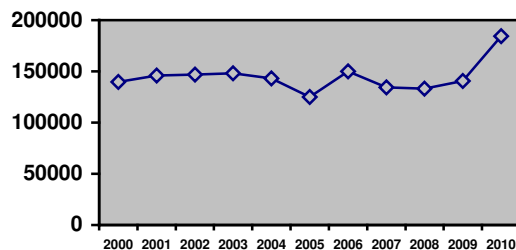
Source: Author's calculations

Tabel 1 leads quite clearly to the conclusion that the largest economies have enhanced their innovation struggles in the three last years, under crisis pressure. China and India were leading on the innovativeness growth between 2000 and 2007, while 5 countries had negative trends. The innovativeness burst in the 10 largest economies in the world, but we have to remark China's incredible performance of

more than 50 percent per year during the last three years taken into consideration.

Taking a look on the Figure 2, there can be seen the evolution of the aggregate patents number of the 10 largest economies. The conclusion that can be drawn is that under welfare conditions, the number of new patents has little variations, while under economic crisis conditions, the innovation activity has a significantly growth (about 5% in 2009 and more than 30% in 2010).

Figure 2. The evolution of the aggregate patents number of the 10 largest economies between 2000-2010



Source: Author's calculations

5. Limitations and future research

We can nominate at least two limitations of this research. The first one is related with the lack of statistical data for a relevant and representative model that can explain the changes appeared in the adoption of different kind of innovation during the economic crisis. This data should reflect the evolution (yearly or even monthly) of adoption rates. The second limitation refers to local culture and particular aspects that might affect the adoption pattern of innovation in different countries. This is a source of variability that explain the noticeable differences that exist on the globe concerning adoption of new technologies. As an effect, any conclusion drawn at global level might result invalid in specific places.

As a sequel, we propose for future research:

- To verify, qualitatively and quantitatively, on different innovations, if any influence of the economic crisis on adoption of innovation exists;

- To investigate any positive synergy effects of different kinds of innovation, especially between product innovation and marketing innovation with focus on brand;
- To set what kind of innovations are the most used by companies under economic crisis conditions and why.

6. Conclusions

This paper tries to analyse innovativeness under crisis conditions, having under view both consumers and companies.

As the statistical research revealed, the companies innovativeness significantly improved since 2008, having a burst in 2010. Thus, hypothesis H3 is rejected. Indeed, global innovativeness haven't decrease, as we presumed, but it hasn't a stabile evolution either.

Against some theoretical and logical arguments, consumers adoption of innovations doesn't seem to be negatively influenced by the economic crisis. However, a better view to different kind of product innovation is necessarily in order to admit or reject hypothesis H2.

Companies innovativeness becomes more and more related with the competitors' moves. Exception few companies that assume the role of market setters, the other companies choose to touch the utility, to approach the perceived value and to beat the price of the leader. In conclusion, we admit hypothesis H1 until future research.

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Risk and Performance – Purposes of Banking Supervision and Stability

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Abstract

No organisation is immune to risk. Moreover, each organisation's risks change constantly. Every organisation must learn to anticipate and prevent risk by identifying, measures, and controlling business. In this article we will show that banking risk management is an ever-changing process shaped by general factors, such as the institution objectives, financial trends, government regulation, internal structure, the maturity structure of assets and liabilities, and the size and source of the risk. Obviously banks make money by taking risks and lose money by not managing risks effectively. In order to obtain performance, banks must take on higher levels of risks than in the past (E.E. Furash, 1999 cited by H. van Greuning, S. Brajovic Bratanovic).

Key words: credit risk, banking risk management, performance

J.E.L. classification: G 21, G 32

1. Intrduction

In general, the objective of managing the risk by any financial institution is the possible profits. Banks carry out their main activity, the credit activity in conditions of uncertainty and for this it takes a certain risk. For some risk managers the global approach of risk is a way to stop the myopia of various classical features of the modern organizations. Every organisation must learn to anticipate and prevent by implementing effective processes throughout the company so that it proactively identifies, measures, and controls business risk [1].

2. The risk and the banking performance

Managing uncertainty and obtaining performance, said Adrien Bedard is the responsibility of all employees within an organization and for this we need to follow all the systems and phenomena taking place in that organization and all decision tracking next to the psychology and the behavior of each employee [2].

Performance is an ongoing concern for all economic actors. Its perception is different, depending on the specific interests. Interest in measuring performance, selected references, and measuring instruments are closely related to the objectives sought by the organization and its partners. Measuring performance is a necessary condition to ensure the progress of an entity, but is not enough [6].

Performance measurement it is also a priority direction for normalization of international accounting. In a general accept, the performance expresses:

- Be the result of actions: in most cases, the word “performance” is associated with outcome of an action, good results obtained in a field of activity;
- Or simply success: the performance is associated with success, the success in a particular field;
- Be an action that leads to success.

In other words, success is not appreciated only in terms of subsequent results, it is built all along the process of defining the action plan until completion, and achievement of strategic objectives. Performance does not exist in itself. It is always the product of a comparison. The problem is with what is the comparison? This is either an internal variable (an objective of progress or result of a past period) or an external variable.

Lavalete G. and Niculescu M. define the performance of being a level of an unstable potentiality of an organization, made by the optimized torque value and the cost, and make that the organization to be competitive on its strategic segments. In this sense, the performance is synonymous with competitiveness, a competitive bank (performance) being an efficient bank (able) to improve the relationship between the results and the resources allocated) and effective (able to satisfy the expectations of all social partners), at the same time. Performance is a state of competitiveness of the bank reached by a level of efficiency and productivity (efficiency) that ensure sustainable market presence [6].

Performance is perceived in a different manner by the bank partners, depending on specific interests: shareholders are concerned about ROI, employees of bank stability, the

creditors of solvency, the suppliers of sustainability activities and markets [6].

3. Performance measurement

The interest in performance measurement, no matter the chosen level, results from this:

- a) allows those interested to know the stage of advancement in operations;
- b) allows assessment of the results obtained in relation to their efforts;
- c) serves to justify the investment of additional resources;
- d) determines priority actions and implementing plans;

Specific purpose of performance measurement and measurement devices are in closed correlation with the objectives of each partner and are shown in Table1:[6]

Table 1. Indicators of performance measurement

Partner	Objective of performance measurement	Indicators of performance measurement
Shareholders	Estimate in a reliable manner the value of the organization and the ability to pay the capital	-Net income and its rates which can be built on its basis, -Indicators that express value creation (EVA, MVA, CVA)
Members of Board Directors	Assessment of quality management and capacity development. Establishing the form and level of remuneration of managers	-Indicators of using resources -Indicators of management activity -Indicators of results -Efficiency indicators -Development-specific indicators
Managers	Estimation of tactical and strategic objectives and their achievement	-Indicators of using resources -Indicators of management activity -Indicators of results -Efficiency indicators -Development-specific indicators
Creditors	Estimation of enterprise capacity to generate cash inflows or cash equivalents in order to be able to pay its debts when due	-Liquidity ratios -Indicators of Solvency -Cash-flow-indicators
Employees	Establishing the form and level of remuneration Assessing bank stability	-Activity indicators -Efficiency indicators -Specific indicators on staff motivation
Clients	Estimation of production quality Assessing bank stability	-Production-quality indicators -Total Quality Indicators
Civil society	assessing development	-Development-specific indicators

Source: Niculescu M, „Diagnostic Financiar” Vol. II, Editura Economica, 2003

Currently, the banks adopt prudential norms, which are based on two main types: deposit insurance and the obligation to comply with a minimum capital ratio, often called Cooke's report. These two types are intended to cover two key risks that are derived from conventional banking system, credit risk and default risk of deposits. The role of money creation, which is the responsibility of banks sometimes lead to situation where customer deposits exceeds their capital reserves. The risk occurs when the bank is unable to convert the money that depositors are the property of liquidity contagion effect can occur as the entire banking system. [4].

In general it is better to define an organization's overall performance as a subtle balance between stakeholder satisfaction of the organization (employees, investors, financial partners, clients, social environment) and the risk it faces.

Finding this balance is a very delicate exercise because the organization stakeholder concerns are different and sometimes contradictory. It is currently accepted that the fine balance of performance and viability depends on the organization to adapt to risk [5].

To prevent and mitigate credit risk in order to obtain bank performance, banks need to adopt certain measures to protect against risks in general and especially credit risk, credit being the main activity of banks. The overall performance of a bank's overall results show it, being on the banking company's capital profitability, it correlated with variation depending on resources made by the bank. In other words, a bank's performance is given by profit-risk bank.[7] Outlets at each regular determine different types of assessment indicators that give insight into the evolution of the bank's position and at some point, their establishment is correlated with the bank on the organization's strategic decision banking units as profit centers based on the assessment so performance criteria to help analyze the results. In banking practice using a variety of indicators for analysis and evaluation of bank performance, but depending on the main objectives of bank management is mentioned [8].

1. Indicators for assessing the overall efficiency of the bank's activity;
2. Indicators of asset quality;
3. Indicators for assessing profitability and profitability and the correlation between them;
4. Indicators of income analysis and bank charges;
5. Indicators of banking ratings.

For an indicator to be relevant and useful decision-making at every level of construction should be done by following strict rules. This is the premise of respecting quality requirements imposed on any indicator and materialized in: utility, accessibility, reliability, simplicity, reliability, neutrality, responsiveness, consistency. In this regard must be taken into account the characteristics of indicators, specifying for each: name, the center of decision formula, frequency of calculation, the reason for the choice of indicators, the contribution of information, sources of data necessary to calculate, the normal evolution of the indicator, possible interactions, the range of decisions may be taken based on the indicator, presentation indicator (rate, absolute size).[6]

Performance always depends on the quality of bank' management, quality is assessed by the results based on management decisions that were taken.

Assessing the economic environment (market banking products), risk is actually anticipating the future and change the pace of economic phenomena, in order to develop realistic strategies to achieve performance and advance the banking market to potential competitors. To get better performance from the banking system top management should consider the following elements[3]:

- A system of competitive information;
- Rewarding staff performance based bank;
- Knowledge of techniques and financial instruments;
- Sound financial management;
- Strategies.

A performance assessment system used in the banking system is the system used in the U.S. CAMEL. This name comes from CAMEL main elements of the review of bank performance, safety and soundness of banks, namely:

- Capital Adequacy Requirement;
- Asset quality, asset quality;
- Management-Management;
- Income-Earnings;
- Liquidity-Liquidity.

The award consists of grades 1 through 5 for each component of the system, with 5 being the highest level of concern of the banking authorities. The banks with ratings at least equal to 3 are examinations at least once a year. Other banks are examined every 24 months. The analysis of these criteria can see that performance appraisal is viewed mainly as a strength. Profitability is a priority of each bank and not banking authority. Income and bank management are addressed in this context only as ways to minimize risk and exposure coverage. CAMEL rating is a weighted average of a banking authority periodically recalculated. The significance of this qualification is as follows: [9]

- CAMEL rating 1: The banks in this group are in sound financial situation of almost all points of view considered. - CAMEL rating 2: banks in this group are also fundamentally sound institutions but may show modest weakness that can be corrected through the normal course of operations;

- CAMEL rating 3: banks in this group exhibit a combination of weaknesses that reflects conditions ranging from "moderately severe" to "unsatisfactory". These banks are vulnerable and require more than normal supervision. - CAMEL rating 4: banks in this group have a large volume of doubtful assets or a combination of other conditions that are less than "satisfactory". This situation is present but not pronounced, a potential bankruptcy.

- CAMEL rating 5: banks in this group have a nature and scale weaknesses requiring urgent support from shareholders or from other sources. The probability is high for these banks. Banks that have a grade 4 or 5 are called problem banks. The activity of these banks can not be seen as prudent and are exposed to bankruptcy, are closely supervised and banking authorities usually are forced to change financial management. The overall performance of a bank is given by profit-risk.[10]

4. Return on equity

Return on equity (ROE= Return on Equity) and its variation are the key element of this approach. Decomposition of the two elements provides images in the internal structure of the Bank's risks and benefits. Return on equity (ROE) is divided into:

- Return on assets (ROA) = Return on Assets)

- Capital structure (EM = Eguity Multiplier or Leverage, or degree of indebtedness or capital adequacy).

From this scheme is seen as controlled and uncontrolled factors are determined for the assets (ROA). Supply and demand conditions that banks face are generally uncontrollable factors (eg interest rate risk is an uncontrollable factor).

Factors on which banks have some degree of control are: types of businesses, income from operations, credit quality, timing of maturities in the management of assets and liabilities.

The diagram above shows the risks a bank faces and determines the level variation of return on equity (ROE):

1. balance or portfolio risk;
2. risk of regulatory
3. risk associated with technology;
4. risk of operating efficiency;
5. strategic risks in the corporate lending;
6. affiliate risk (subordination).

5. Conclusions

Portfolio risk and operational risk have the greatest effect on a bank earnings variation. Risks in bank portfolios are based on credit risk, interest rate risk and liquidity risk. Based on these risks would be to determine how much liquid capital a bank should hold.

Any organization even banks that fail to adapt to environmental conditions on technology and competition regulations face sooner or later with extreme risk of extinction. In order to obtain performance of banking institutions will have topay attention to:

- Price, considering how much to pay to cover various risks.
- Probability of occurrence of these risks.
- Monitoring and risk control, which begins with the formulation of objectives, policies and guidelines are at risk as determined by approach to risk. Risk management normally involves several steps for each type of financial risk and for the risk profile overall. These steps include identifying the risk management objective, risk management targets, and measures of performance.

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The Contribution of the „Alexandru Ioan Cuza” University of Iași to the Generation of Human Capital in North-Eastern Region and in Romania in the Context of the Current Economic Crisis

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Abstract

The current economic and financial crisis, triggered in July 2007 in the United States, has hit the world economy with an unprecedented force since the Great Depression in the '30's. Romania, a country with few years of experience in the functioning of the market economy could not avoid the negative effects of the crisis. One important element of resilience is the higher education system necessary for quickly restoring the economy and adapting the human capital to these critical conditions. In this context, the generation of human capital throughout its graduates represents the most direct contribution that a university can provide to regional and national economic development. Under these circumstances, the objective of this paper is to quantify the contribution of Alexandru Ioan Cuza University of Iași, the oldest and one of the most prestigious universities in Romania, to the generation of human capital in the North-Eastern Region and in Romania in the context of the current economic crisis.

Key words: university, economic crisis, economic development, human capital

J.E.L. classification: O15

1. Introduction

The current economic and financial crisis that the world economy has been officially facing since July 2007, even though its origins can be found in the United States in 2001, it is definitely considered to be one of the great dangers of the new millennium. In the context of the growing interdependencies between world economies that globalisation has been promoting over the last decades, the

gravity and the extension of its effects can be devastating. Moreover, since the initial shock took place in the United States, the most powerful economy of the world, no economy has remained unaffected.

The current economic crisis also revealed the vulnerability of the European Union (EU), regarded prior to the crisis as one of the most stable economic poles in the world, immune to external shocks. The negative effects of the crisis felt their presence not just in the domains directly responsible for its outburst, such as financial and real estate, but also at social, commercial, cultural and even at psychological level.

Romania, a young member of the EU and a country with few years of experience in the functioning of the market economy has been seriously affected by the crisis starting with the fourth quarter of 2008 through a series of direct and indirect effects at all levels like: worsening of risk perception of Romania, reduction of foreign capital inflows, external financing problems, depreciation and high volatility of RON, reduction of import and export, reduction in household consumption, lower utilisation of production capacity and closure of companies (direct effects), reduction in the overall wealth of population, rising unemployment rate, lower revenues in the state budget, exposure of firms to currency risks (indirect effects).[1]

2. The importance of human capital in the context of the current economic crisis

The economic crisis has urged an immediate response by governments to avoid financial collapse and to limit its proportions. Such policies must not just limit the negative effects, they must also initiate a quick and efficient recovery based on a sustainable

long-term growth process. Even though the Lisbon Strategy has not been by far a success, EU leaders are convinced that the economic reforms must continue. Therefore, they have developed a new and better version of the Lisbon Strategy, called Europe 2020, that aims at generating sustainable long-term growth through innovation, education and improved enterprise environment, setting three priorities: smart growth – developing an economy based on knowledge and innovation; sustainable growth – promoting a more resource-efficient, greener and more competitive economy; inclusive growth – fostering a high employment economy delivering social and territorial cohesion.[2]

Some of the directions that the new strategy recommends, in order to increase economic growth and employment, acknowledge once again the value of the human capital. We mention here: to ensure that innovative ideas turn into products and services that can create growth and jobs, to enhance the performance of education systems and to set an agenda for the development of new skills and jobs.

OECD states that „the crisis also presents an opportunity to raise investment in human capital. Support for education and training can accelerate the healthy transition to new jobs and emerging opportunities”.[3] United Nations has been long considering investments in human capital as „investment investments made to increase the productivity of the labor factor”.[4]

Human capital has become one of the most important pillars on which the anti-crisis policies are based and the investment in education and in the development of improved skills one of the top priority. If we take into consideration the fact that the majority of the knowledge, skills and competencies are acquired throughout the educational process, higher education institutions, especially universities, have gained all over the world, including in our country, a significant role in the economic development at both regional and national level.

Next, we intend to quantify the contribution of Alexandru Ioan Cuza University of Iași (UAIC), the oldest and one of the biggest and prestigious universities in Romania, to the generation of human capital throughout the formation of its graduates in

the North-Eastern Region and in Romania in the context of the current economic crisis.

Even though the quantification of human capital represents a complex and difficult task, the methodology is usually based on educational data. We subscribe to the idea that a superior level of education implies more knowledge, and subsequently more human capital. Therefore, inspired by the studies of the Valencian Institute of Economic Investigations (IVIE), [5] we will choose the synthetic indicator that measures the years of study as our method of calculation.

3. The contribution of the Alexandru Ioan Cuza University of Iași to the generation of human capital in the North-Eastern Region of Romania

Technically, the contribution of UAIC to the generation of the human capital throughout its graduate students, it is calculated based on a hypothetical scenario, as the difference between the average years of study in the North Eastern Region and the hypothetical average years (according to the hypothetical scenario) that the population of the North Eastern Region would have achieved if UAIC wouldn't have existed and therefore wouldn't have formed any graduate.

The average years of study of a population pertaining to the society r (AS_r) it is calculated as the coefficient between the average years of study attained by the total individuals that make up the society and total number of individuals that make up the society, according to the formula:

$$AS_r = A^i \times POP_r^i / \sum POP_r^i$$

Where: A^i – years of study necessary to complete the level of study i

POP_r^i – the total number of the individuals of the society r (in our case North Eastern Region/Romania) that have completed the level of study i .

The hypothetical average years of study, that is the average years that the population of the North Eastern Region of Romania would have attained if the UAIC hadn't formed any graduates, it is calculated based on the premise that the students that did graduate UAIC would have attained, in the most fortunate case, the immediately inferior level of education, that is short post-high-

school studies, as the last level of education that can be attained before superior education, according to the structure of the education system of the Ministry of Education, Research, Youth and Sports in Romania.[6] Of course, we must take into consideration that UAIC is not the only university in the North Eastern Region of Romania. Thus, the difference between the real average years of study and the hypothetical ones, can not be attributed exclusively to UAIC, but to all the universities in the North Eastern Region, out of which we will extract and show just the contribution of UAIC.

Before actually calculating the contribution of UAIC to the generation of the human capital in the North Eastern Region with the help of the statistical data, we mention that due to the lack of available information, we can not know the exact number of person that have completed university studies and no longer have the residency in the North Eastern Region, nor the exact number of persons who have graduated outside the North Eastern Region and live in the Region. Therefore, in order not to affect the objectivity of our calculations, we will assume that these categories compensate.

In order to calculate the average years of study, we will use the information provided by the National Institute of Statistics (INS) regarding the structure of the occupied population by age and level of education attained in the North Eastern Region of Romania in 2010 as shown in Figure1.

Figure 1. Structure of the occupied population by age and levels of education attained in the North-Eastern Region of Romania in 2010.

Level of education attained	Nr. of occupied population
Superior	195.284
Medium	880.010
Post-high-school	49.134
High-school	419.678
Professional-oriented	411.198
Lower	613.063
Secondary	487.714
Primary & no education	125.349
TOTAL	1.688.357

Source: Adapted by www.insse.ro

As we can notice, Figure 1 only provides us with the number of occupied persons by levels of education. The other variable required by the formula, that is the necessary number of years to complete each of the levels of education, it is obtained from the same official information source, the Romanian Ministry of Education, Research, Youth and Sports. Thus, the primary level requires four years to complete, the secondary level eight years, the professional-oriented level ten years, the high-school level twelve years and the post-high-school level fourteen years. The lack of available information forces us to make two assumptions. The first one is related to the group of population that completed the primary level. Due to the fact that Figure 1 does not indicate the precise number of people that completed the primary level of education or the number of those who haven't completed any level of education, we will attribute to this category an average number of three years of study. The second one is related to the higher education group of people. Due to the fact that we can not know precisely how many people completed bachelor, master or PhD levels, we will attribute to this group an average number of 16,5 years of education.

The calculation shows us that the average real years of study of the occupied population in the North-Eastern Region of Romania in 2010, that is 3 years after the current economic crisis has erupted, is 10,2 years. The average hypothetical years of study that the occupied persons would have attained if none of the universities in the region, including UAIC, had existed, would have been, in the most fortunate scenario, 9,9 years of study. Therefore, the human capital generated in the auldas of the universities in the North-Eastern Region, including UAIC, before and during the present economic crisis represents 0,3 years of study per occupied person.

In absolut terms, if we multiply the average years of study with the total number of the occupied persons registered in 2010 we will obtain an aproximately number of 17,3 million years of study out of which 3%, that is 517.000 years of study have been generated in the auldas of the regional universities, including UAIC.

The total number of graduates of the approved universities in the North-Eastern Region of Romania and UAIC graduates (with or without diploma) for all three levels of study (bachleor, master, PhD) between 2006 and 2010 allows us to calculate only the contribution of UAIC.

According to information that the universities provide to the Romanian Ministry of Education, Research, Youth and Sports [6], in the North-Eastern Region of Romania, in 2010, function a total number of 11 approved universities, 7 public (including UAIC) and 4 private. The majority of 8 are located in the city of Iași, the most important academic centre, which annually hosts over 75.000 students. As we have previously demonstrated, all these 11 universities contribute with 3% to the average dotation with human capital for the occupied persons in the region. In order to extract only the contribution of UAIC, we will look at the number of the total number of graduates that UAIC has produced from 2006 till 2010, that is two years before the crisis and three years after, in comparison with the rest of the universities in the North-Eastern Region.[7] The evolution of the total number of graduates has registered a constat growth during academic years before the crisis (17.881graduates in 2005/06 and 19.542 graduates in 2006/07), recording the maximum number of 27.782 graduates in academic year 2007/08 when the crisis hit our country. After that, the total number of graduates steadily declined (25.936 graduates in 2008/09 and 23.227 graduates in 2009/10).

The official data allows us to estimate that from 2006 till 2010, UAIC has generated in average 38,8% of the graduates in the North Eastern Region. That would imply that out of the total contribution of 3% atributed to all the universities for the dotation with human capital of the occupied persons in the North-Eastern Region of Romania, 1,2% belongs exclusively to UAIC. In absolut terms that would mean 200.500 years of study generated by UAIC out of a total of 517.000 years.

4. The contribution of the Alexandru Ioan Cuza University of Iași to the generation of human capital in Romania

At national level, the contribution of Alexandru Ioan Cuza University of Iași to the generation of human capital in the context of the current economic crisis is naturally smaller. In order to calculate it, we will once again use the information provided by the Romanian National Institute of Statistics as shown in Figure 2.

Figure 2: Structure of the occupied population by age and levels of education attained in Romania in the fourth semester of 2010

Level of education attained	Nr. of occupied population
Superior	1.558.644
Medium	5.319.935
Post-high-school	363.359
High-school	2.701.879
Professional-oriented	1.999.346
Lower	2.173.877
Secondary	1.714.294
Primary	419.144
No education	40.439
TOTAL	1.688.357

Source: Adapted by www.insse.ro

Figure 2 shows us the total occupied population by age and level of education in Romania in the last trimester of 2010. The aplication of the same methodology, indicates that the average real years of study per occupied person in Romania in the last trimester of 2010 is 11,4 while the average hypothetical years of study if none of the universities in Romania (including UAIC) hadn't existed, would have been 10,7. Thus, the human capital generated in the aulas of all the universities in Romania represents 0,7 years of study per occupied person. Or better said, 6,14% of the average human capital dotation in Romania per occupied person have been generated in the aulas of the Romanian universities.

In absolut terms, that would mean that if we multiply the average years of study with the total number of occupied people in the last trimester of 2010, one of the taughest years in terms of economic performance in Romania, we will obtain a total number of

103,2 millions years of study, out of which 6,14%, approximately 6,34 million years of study have been generated by the Romanian higher education system, including UAIC.

The total number of graduates of the approved universities in Romania and UAIC graduates (with or without diploma) for all three levels of study (bachelor, master, PhD) between 2006 and 2010 allows us to calculate only the contribution of UAIC.[8]

The evolution of total number of graduates at national level follows the same trend as the evolution at regional level, recording a constant growth during the academic years before the crisis (112.244 graduates in 2005/06 and 125.499 graduates in 2006/2007), reaches its peak of 232.885 graduates at the end of academic year 2007/08 when the crisis reaches our country, and steadily decreases in the following years (214.826 graduates in 2008/09 and 191.291 graduates in 2009/10), due to the effects of the economic crisis.

As we can see, beginning with the academic year 2005/06 and ending with academic year 2009/10, UAIC has generated an estimated 5,24% of the total number of graduates in Romania. That is, out of the total contribution of the Romanian higher education system of 6,14% of the average years of study, 0,32% is attributed exclusively to UAIC. In absolute terms that would mean that out of the total 6,34 million years of study, approximately 332.000 years of study have been generated in the aulas of UAIC.

5. Conclusions

As part of their strategic response to the economic crisis, governments all over the world, including EU leaders, have made human capital one of the most valuable resources in the long-term growth and universities key players throughout the process.

The results of our work demonstrate that Alexandru Ioan Cuza University of Iași is one of the universities that contributes to this long-term process throughout the generation of human capital both at regional and national level. Even so, we consider that this contribution underestimates the real impact that the dotation with human capital generates. This, due to the medium and long time induced effects that an additional human

capital produces. One of these effects refers to the decision to complete academic studies that a higher income has. Thus, if a higher dotation with human capital that UAIC generates enables its graduates to earn more money and this has a positive influence on the decision to complete academic studies, this means the higher dotation with human capital will generate a higher dotation with human capital in the future. The second effect takes into consideration the influence that the level of education of parents has on their children's decision to complete academic studies, that is to invest in human capital. Taking into consideration these induced effects, we are entitled to conclude that the human capital generated by UAIC will produce more human capital in the future. Although these effects are from the economical point of view extremely difficult to quantify they shouldn't be ignored.

6. Acknowledgement

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Traditional and Modern Techniques of Transferring the Benefit of the Credit Insurance Contract in International Trade

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Abstract

Credit, the key word in today's society, considered as a control element of the market economy has its reverse: the risk. The risk is itself diverse: the risk of non-payment, the risk of late payment due either to bankruptcy to the debtor or natural, political, etc. events. If, in general, banks have at hand means pertaining to bank management or the use of complex financial techniques to prevent internal risks, to prevent the risk of non-payment and the risk of late payment, one of the most effective tools is to provide loans.

Key words: credit insurance, international trade, securitization.

J.E.L. classification: K12, K33, G21, G22

1. Introduction

We define the export credit insurance contract as a contract whereby a creditor, as insured, undertakes to pay to the other party, the export credit insurer, a sum of money called a premium, and the insurer undertakes, in the case of occurrence of the insured event, consisting of the non-payment of claims resulting from the granting of an export credit (debt owed to foreign persons, usually identified previously), to pay to the insured or to the third-party beneficiary the insurance compensation, as determined in the contract.

Although the definition given shows that the parties of a credit insurance operation are in number of three, that is, the insured, the insurer and the debtor, the export financing practice tends to introduce third party insurance matters. Most times, the insurer agrees to pay any compensation in the hands of another person and not to the insured. It is worth mentioning that the third person will not acquire more rights than the insured himself.

The introduction of third parties may be performed by way of an assignment accessory to the discount, via the debt assignment and on the way of the delegation of the right of compensation.

2. The assignment accessory to the discount

In case of a provider credit, wishing to raise the claims it has on its foreign debtor, the insured seller will discount the effects of trade (bills of exchange drawn upon the debtor or promissory notes issued by it) and based on the translativity effect of the endorsement it will send to the bank all accessory rights.

The principle is that the insurance, unlike the interest, is not ancillary to the right of claim, having an independent existence. However, some credit insurers such as COFACE, concerning medium-term funding, are willing to make derogation from this principle only for the refunds made for French banks, arguing that the secured credit itself is transferred to the bank.

This technique, the easier from the practical point of view is, at the same time, the least costly because performance does not require any formalities. It cannot be used, however, until after the receipt of the goods and after the buyer issues a promissory note or after the acceptance of a bill of exchange on it. Another shortcoming is that if the insurer is not notified of the transfer occurred, he will not know about the transfer of rights arising from insurance contract made in favor of the bank and he/she will not be able to notify it of the termination occurred because of the insured's failure to perform the obligations or, by mistake, he/she will pay the insured the compensation he/she refused.

For these reasons the most commonly used mechanism to transfer the export credit insurance internal contract benefit in favor of banks is the pledge or the assignment of the right to compensation.

3. The Security Interest in Movable Property

It is constituted through an accessory contract whereby the debtor, or another person for him/her, consents to affect a property of his/hers, in order to ensure the performance of the obligation assumed[1] in this case, the repayment of the credit by the supplier or the banker.

Guaranteeing an obligation with an insurance policy is a practice often used in international trade. As the security is made on the right to compensation resulting from the credit insurance contract, on a tangible incorporated asset, we shall refer to security interests used for the transfer of the export credit insurance domestic contract benefit.

In our case, the insured makes in favor of the bank a pledge of his right to compensation arising from the contract of credit insurance. Outside formalities such as handing the insurance policy, as under Belgian law or its introduction in an archive of security interests, as it is the case in the current Romanian legislation, imposed by the law in force in the State of the insurer, in all cases, this act must be notified to the insurer.

However, some observations must be made on the economic opportunity to ask (and receive) such security[2]:

Unlike the assignment ancillary to the discount or the debt, in case of the establishment of a security interest in movable property, the third party in whose favor this guarantee was constituted may not claim the insurer to be notified of the insurance indemnity payment and, if the risk included in the insurance occurs, but the guaranteed debt (the refinancing loan) is not yet due, the third party will lose the right to compensation.

The real value of such security is highly dependent on both external factors and the actions of the insured debtor (the payment of the insurance premium, the performance of the obligations related to the notification of the risk or the obligation to notify the insured case).

If for the transfer of rights deriving from the export credit insurance contract, the insurer shall have the possibility to notify the third party to pay the installment for the due premium or shall notify him about the insured's failure to perform the obligations, in case of a security interest in movable property, the insurer shall not have this, the security recipient being unable to know the fate of the insurance contract and being at risk to lose the right to compensation.

4. The credit insurance policy endorsement

In international trade relationships, the insurance policy[3] (the document acknowledging the international insurance contract), is equivalent to a credit title, being, where appropriate, nominative, at the holder or through a note and it is sent or given as collateral under the general rules laid down for each of these titles.

As credit title, the insurance policy for the export credit is transferred in full property through the endorsement governed by the provisions of Art 13 and following of Law no. 58/1934. The pledge of credit titles has a practical utility and the purpose of law is to provide traders a simple drill for the formation of the pledge, the common law being considered[4] difficult.

The endorsement of an insurance policy through a note is actually made under the provisions on the endorsement form contained in Art 21 of Law No. 58/1934 on the bill and the promissory note, introducing the clause of "value as security", "currency as pledge" or other equivalent clause.

The endorsement with the clause of "value as security" or "currency as pledge" correspondent to the pignorative endorsement is regulated by Art 22 of the Convention U.N.C.I.T.R.A.L. for bills of exchange and international promissory notes, adopted in New York in 1988[5], as well as by Art 19 of the Uniform law adopted by the 1930 Geneva Convention on bills of exchange and promissory notes.

The endorsement institution for pledge has no counterpart in common law, but the owner – the endorsed of such endorsement can be likened to "holder for value" (section 27 of the Bills of Exchange Act, adopted in England in 1882 and section 3-303a of the

U.C.C.), or to the owner of a restrictive endorsement (section 3-416 of the U.C.C.)[6].

The pignorative endorsement of an insurance policy for export credit creates a legitimizing effect, and not a translatative one. The guarantor will not revoke the endorsement of the pledge, nor could he claim the credit insurance policy in case of insolvency of the endorsee, resulting in its practical safety.

5. Securitization of the claim rights arising from the insurance policies

In the international relations, a practice that emphasizes the quality of negotiable title of the insurance contract has developed on export, or by using the technique of yielding the insurance indemnity benefit with the circulation of the title incorporating the insured debt[7].

It is a technique originally used in the U.S. and taken in industrialized countries consisting in yielding a set of claims of financial bodies to individuals generally willing to invest their savings. This giving up is made not by discounting or rediscounting debt securities but through a transfer of a portfolio of receivables.

Typically, the management of these debts is entrusted to an "ad-hoc body" whose mission is their collection and the management of payment incidents. The manager of the portfolio will issue debt securities representing fractions of that portfolio.

It goes without saying that without bank securities (which they do not want to give to control the commitments by signature), other guarantees have to be provided (other than those ancillary claims such as suretyships, tangible securities or mortgages).

In this sense, credit insurers may grant a coverage through a credit insurance contract with the respective mentioned "management body".

The premium will be paid indirectly by the assignees (beneficiaries) by including it in the management fee required by the body constituted for this purpose. In this way, the insurer will consider the insured claims, will oversee the risk, having to be informed by the management body of the development of the risk, he will be involved in the recovery

of the unpaid claims and, especially, will be consulted on the establishment of each package.

If the checks will result in a single package, too much "risky" debts have been included and he will be able to refuse to ensure that package.

The bearer securities representing fractions of the claim portfolio will be traded on the securities market and will run with the benefit of the credit insurance policy "attached".

Relatively recently, this technique has been regulated by the Romanian legislature by Law No. 31/2006 on receivables securitization and subsequent acts, such as the Regulation of NBR and NSC no. 21/26/14.12.2006 on the treatment of credit risk related to securitized exposures and the securitization positions, which transposes the provisions of the European Directive 2006/48/EC specifies the approach for securitizations containing an early repayment clause triggered by a level of net margin or a quantitative limit, another than the net margin or the Regulation of NBR and NSC no. 18 of 30 September 2010 on the treatment of credit risk related to securitization exposures and securitization positions, which transposes the provisions of Directive 2009/83/EC of the Commission of July 27, 2009 amending certain annexes to the Directive 2006/48/EC of the European Parliament and of the European Council as regards the technical provisions concerning risk management.

The securitization is a financial transaction for the recovery of claims by a special purpose vehicle (with or without legal entity, whose the sole object of issuing securitized financial instruments, securities or participatory type bonds issued in dematerialized form, based on a portfolio of claims), which buys, groups and affects them for the guarantee of an issue of real assets.

According to the provisions of Article 2 Para 2 of law, both claims arising from credit agreements or contracts of sale – purchase paid on time may be subject to securitization, i.e. also receivables arising from an acheteur credit or a supplier credit and receivables arising from leasing contracts, for which a contract for the export credit insurance was concluded.

Sending claims from holders to the investment vehicle is performed by claim assignment, only onerously, it is notified by the transferor to the assigned debtors, the creditors of the transferor are notified and it is recorded in the Electronic Archive for Security Interests in Movable Property.

However, unlike the assignment of debt covered by the Romanian Civil Code by which, with the debt claim the debt accessories are transmitted, such as the security, the privilege and the mortgage (contracts, by definition, ancillary), the assignment made for securitization sends all real or personal rights to assets, including security interest rights and *claim rights arising from the insurance policies concluded by the assigned debtor* (Art 3 point 7 of Law).

Even if the legislature used the phrase "ancillary rights", we consider that this is an error in his expression and that, in case of the insured export credit provided for the transfer to an investment vehicle, the character of the main contract of insurance credit of the credit for export does not change.

To ensure the legal certainty for the securitized financial instruments, the legislature established a limitation period for the exercise, by the transferor's creditors of the action to cancel the debt assignment in very short time, of only 45 days from the cumulative meeting of the disclosure requirements for the registration in the archive and the notification of the transferor's creditors. Also, this action cannot be promoted if the transferor is in legal reorganization or bankruptcy proceedings opened in accordance with law 85/2006 of insolvency or the G.O. No. 10/2004 on the judicial reorganization and bankruptcy of credit institutions.

We appreciate that, after creating the general framework by regulating the securitization of claims, nothing precludes the Romanian credit insurers to support the insurance of a debt portfolio for which securitized equity are issued.

6. Conclusions

Compared to the principle of celerity and that of credit protection, specific to commercial law, and given the many benefits of the pignorative endorsement of the export

credit insurance policy compared to the transfer of the right to insurance indemnity, we believe that it would require the amendment of Law no. 136/1995 for the purposes of consecration of the export credit insurance policy.

In the current regulation, the proof of the insurance contract is made by issuing the insurance policy or the insurance certificate[8], and the insurance document can be, where appropriate, nominative, through a note or at the bearer (Art 12 of Law No. 136/1995).

Although the legislation does not show the difference between the insurance policy and the insurance certificate, the doctrine has established that the first is a negotiable title, while the second does not have this feature.

The doctrine critics has been formulated of the character of the insurance policy with nominative title[9], although considering that the insurance policy can be through a note or at the bearer, there is insufficient evidence to support the nature of the negotiable title of the insurance policy whereas it has no formal character, but rather a declaratory character, (the law does not prescribe the form in which that document should be drafted) nor gives rise to a right autonomous to the one born from the insurance contract.

We appreciate that, if the legislature would require the written form as an *ad validitatem* requirement, thus defending the right embedded in the title these critics would not withstand a detailed research.

Thus, in terms of the formal nature of the insurance policy, it should be noted that Art 10, Para 3 of Law No. 136/1995 lists the items to be covered by the insurance contract and, of course, which must appear in the policy[10].

Regarding the fact that the insurance policy does not create a right autonomous to the one that is born from the insurance contract, it appears that, despite the existence of an autonomous right, is a feature specific to debt securities, there are enough causal securities (company shares, bills of lading[11]) and the lack of autonomy of the rights of the holder of the rights compared to the rights of the insured title is an exception provided by law (Art 23 of Law No. 136/1995).

Even if in the Rules of conduct, in the account of and on behalf of the state, for the short-term insurance activity of the risk of external non-payment reference is made to the “insurance policy” (Art 3 Para 2, Art18 Para 2), the conditioning of the transfer of the insurance policy benefit by the agreement of the insurer opposes to the qualification of these “policies” as negotiable securities.

Especially in the case of the provider credit, the insured creditor or beneficiary of the insurance will want to make a refinance, by transferring the rights to the debtor or by guaranteeing with him the refinancing loan.

If the export credit insurance policy form was adopted by the legislative, its movement would be facilitated, which is desirable given the need of traders to access credit refinancing.

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International and Community Issues on Bankruptcy Regulation of Credit Institutions

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Abstract

Despite the international efforts on the development of a special surveillance regime, banks may become insolvent. The poor management, the excessive risk, the adverse conditions in the market or fraudulent practices can cause serious or even fatal financial problems. Therefore, the rules of “ex ante” are not enough, but there must be an adequate legislative framework for bank insolvency situations.

The need for special rules relating to bankruptcy for these companies is mainly due to considerable economic repercussions of the failures that affect them.

Key words: insolvency, credit institutions, international law, Community law.

J.E.L. classification: K12, K33, G21, G22, F34.

1. Introduction

The principles of law applicable for bankruptcy are, generally, in some countries, applicable for bankruptcy of credit institutions. However, many jurisdictions have opted for the exclusion of bankruptcy proceedings of credit institutions under the rules from the law applicable for bankruptcy in general and the drawing up of special rules in this area.

Recent financial crises around the world have demonstrated the close link between the financial stability and the health of a viable economy. Economists consider financial stability as a “public good”, which requires the attention of national laws. This public “good” or “interest” is better served by reducing the probability of bank insolvency situations.

The main purpose of these special rules is to maintain public confidence in the banking system. This goal translates into a series of objectives that the legislation in the area must pursue, namely: the establishment of appropriate accounting standards, transparency, prevention of corruption, creation of a favorable international investment.

2. International and community regulation of bankruptcy of credit institutions

Internationally, the documents recently adopted in cross-border insolvency showed the same trend, excluding credit institutions in their field of application, along with insurance companies, securities companies and collective investment.

Thus, according to Art 1 of the European Convention on certain international aspects of bankruptcy, this international document does not apply to insurance companies or credit institutions such as banks, subject to procedures that may come into its field of application.

The Explanatory Report accompanying this document shows that, in fact, these institutions, which are generally subject to administrative arrangements, are governed by specific insolvency procedures, which in some states, are administrative by nature and may, at least in the period preceding the bankruptcy, to derogate from the general rules applicable to collective proceedings to avoid bankruptcy.[1]

The scope of the EU Council Regulation no. 1346/2000 on insolvency proceedings are excluded from bankruptcy proceedings concerning insurance undertakings, credit institutions, securities and collective investment companies. As shown in the

Preamble of the Regulation (section 9), as they are not covered because they are subject to a particular national control authority that has very extensive powers of intervention.

The UNCITRAL Model Law on cross-border insolvency[2] does not contain provisions concerning the conditions to be met by borrowers who have applied the procedure, since the objective of the law was to avoid restricting its scope so that it covers a wide range of insolvency proceedings that may be recognized, whether reorganization or liquidation, regardless of the debtors, legal entities or individuals, traders or consumers, thus respecting the differences between national legal systems.

However, commercial banks or insurance companies are cited as examples of entities for which the model is able to adopt law exclusion of subjects included in its scope. The guidelines for applying the Model Law[3] explain this exclusion especially as the opening procedure against such debtors is necessary to protect the vital interests of individuals and generally require special regulations for quick and cautious action.

Since, now, banking operations necessarily go beyond national borders, commercial insolvency generates international effects that require appropriate legal solutions.

Banks make their subsidiaries and branches outside the state in which the head office is located and they grant loans to foreign companies or they issue autonomous securities for banks from other countries. Therefore, they may have foreign debtors, foreign creditors, secondary establishments abroad, foreign shareholders or foreign counterparties.

The difficulties of approach of such insolvencies are multiple: the difference in the conception of treatment of bankruptcy in different jurisdictions (for example, some are more favorable to the debtor than others, some opt for a mainly administrative procedure, others for a jurisdiction), the differences in the procedure, the conflict of laws, and the different treatment of property or compensation etc.[4]

The opening of the insolvency proceedings in any State in which the bank has an office, primary or secondary, or business relationships, raises practical problems which must find an appropriate

response in the national and international legislation.

Some of the most important issues are: the question of whether for the same debtor credit institution, more concomitant procedures can be open or only one procedure can be open, which will be the decision of a competent court or of such procedures and its or their applicable law, which will be the effects of the decision given by the court of a foreign state in bankruptcy of credit institutions, which will be the treatment for foreign creditors in comparison to the local ones and if the proportional reduction of claims could be applied for the first, etc.

Some reports consecutive to famous bankruptcies have stressed the need for special rules in banking bankruptcy with cross-border issues. Following the bankruptcy of B.C.C.I. in 1991, Basel Committee on Banking Supervision issued the document entitled "Insolvency of international banks"[5], and in 1995, following the bankruptcy of Barings Bank, the Group of the 30 (G30), in cooperation with the International Federation of Insolvency Practitioners (INSOL) has developed a study on how to approach this type of insolvency.[6]

An issue of utmost importance in bankruptcy of credit institutions is whether bank insolvency should be treated as a single entity or the entities of which it is composed should be considered separately. In the first case, there will be a single insolvency procedure, in which the credit institution shall be treated as a single entity, which means that all its assets, wherever they were located, will be included in this procedure, and the lenders, regardless of their nationality, will be entitled to register their claim in this procedure and will receive equal treatment.

In the second case, different parts of the credit institution, located in different jurisdictions, will be treated as separate legal entities. For example, a branch of a foreign bank located in a particular jurisdiction will be disposed of separately from the central bank located abroad.

The universality is, in the bankruptcy of credit institutions, related to the concept of "home country" of a bank, having unique jurisdiction over insolvency proceedings.

The territoriality involves separate procedures in each jurisdiction. The open procedure in the "home country" has no cross-border effects.

At Community level, it was decided first to act primarily in a preventive manner[7] putting into place a series of rules called "prudential", such as, for example, the Directive 89/299 of April 17, 1989 and Directive 89/647 of December, 18 1989 on the own funds and the solvency ratio.

They came to complete the coordination Directives no. 77/780 of December 12, 1977, no. 83/350 of June 13, 1983 and no. 89/646 of December 15, 1989.

The European Community Commission took steps to establish guidelines for insurance companies, credit institutions, securities companies and collective investment bodies.

Thus, credit institutions formed in 1985 the subject of a proposal for a directive on the stabilization and liquidation of credit institutions (Directive proposal no. 85/C356/10 of the Council, OJEC C 356 of 31.12.1985). The work on this project, however, were suspended upon the implementation of the Second Coordination Directive of 1989 and were not resumed until after the bankruptcy B.C.C.I.. The disputes between Spain and the UK to include Gibraltar in the Annexes of the project have delayed much the work, so that, only on July 17, 2000, the European Community Commission adopted the Common Position No. 43/2000.

With the approval of the Economic and Social Committee and the European Monetary Institute on April 4, 2001, Directive no. 2001/24/EC of the European Parliament and the Council on the reorganization and Liquidation of Credit Institutions was adopted.

The Introduction of Directive no. 2001/24/EC is generally regarded as a significant advance in the legal framework of the European Union which will provide, fortunately, a high degree of efficiency and certainty in bank insolvency proceedings with cross-border issues.[8] This progress would have not been possible however without an existing framework, being based on the principle of consolidated supervision established by Directive 2000/12/EC. It is expected that this directive to be the starting

point in the process leading to the eventual harmonization of bank insolvency laws of the Member States of the European Union and the international efforts to go beyond its borders. Until then, it is however necessary to strict monitor the level of effective implementation of the provisions of the Directive by all Member States, the process for which the deadline is May 2004.

3. Romanian legislation in the field of private international law relations in the area of insolvency of credit institutions

In Romania, this procedure is regulated by Law 83/1998 separately, in force since May 23, 1998, to be completed with the provisions of Law 64/1995, on the insolvency procedure and the Code of Civil Procedure. This law was intended to be more stringent, clear and specific, for which the Government has adopted Ordinance No. 10/2004.

The need for a law for bankruptcy of credit institutions was determined by considerations relating to the harmonization of the Romanian legislation with the European Union, on the one hand and, on the other hand, the harmonization of the bankruptcy of credit institutions with the general laws on banking and reorganization and bankruptcy.

Title II of the Ordinance is governing the cases of insolvency of credit institutions with cross-border issues and is consistent in the aspects of harmonization in this area with the European Union. From this point of view, the takeover, by G.O. 10/2004 of the provisions of Directive No. 2001/24/EC which appears as a natural complement approach, started by Law 637/2002, concerning the regulation of the private international law on insolvency, to take over the *acquis communautaire* in cross-border insolvency.

This title contains both the rules for determining the law applicable to judicial reorganization and bankruptcy, concerning credit institutions, Romanian legal entities, including foreign-based branches and subsidiaries in Romania of foreign credit institutions in the state of insolvency and rules concerning the conditions under which the authorities concerned shall mutually inform and consult on measures of reorganization and liquidation procedures of credit institutions.

4. The procedure of judicial reorganization and bankruptcy of credit institutions, Romanian legal entities, and their branches established in other Member States

Chapter 2, regulating the procedure of judicial reorganization and bankruptcy of credit institutions, Romanian legal entities, and their branches established in other Member States, enshrines the principle of unity and universality of bankruptcy.

Art 47, which incorporates the provisions of Directive no. 2001/24/EC, governing the conflicts of jurisdiction in an opposite way as Law 637/2002 does, which, taking the provisions of Regulation No. 1346/2000 of the EU Council on insolvency proceedings, abandoned the principle of absolute unity and universality of bankruptcy for a compromise solution that combines the elements of the two classical theories: the theory of unity and universality and the theory of plurality bankruptcy territoriality.

Therefore, the competent court is the court in whose jurisdiction the registered office of the debtor credit institution is registered, as it appears in the commercial register, which is the only authority, empowered to decide on the procedure of judicial reorganization and bankruptcy of the credit institution, Romanian legal person, including its branches in other Member States.

In bankruptcy, including bankruptcy of credit institutions, the conflict of jurisdiction determines the solution in conflict of laws, as the competent court will apply its own law, the *lex fori*.

Therefore, the opening of bankruptcy proceedings on a credit institution in Romania, including its branches established in other Member States is governed by the Romanian law both in terms of rules and procedure of judicial reorganization and regime and bankruptcy procedure.

The field of bankruptcy law and the exceptions to the principle of application of *lex fori* are defined by the Ordinance similarly to the provisions of Directive no. 2001/24/EC.

It expressly excludes legal provisions, rights and procedures provided in Art 37-40, 42, 43 and 45-47 of Law No. 637/2002 on the regulation of private international insolvency law, the right of property or other

rights in financial instruments whose existence or transfer is subject to the registration in a register, an account or in a centralized storage, held or located in a Member State, which will be governed by the law of that Member State, repurchase agreements and contracts underlying the transactions conducted on a regulated market, which will be governed by the law of contracts and compensation contract, in which case the law governing such contracts.

It also regulates the obligations of information and publicity on the decision to open a procedure of judicial reorganization and bankruptcy. In this respect, the competent Romanian court assigned to three categories of obligations in order to bring to the attention the decision to open a procedure of judicial reorganization and bankruptcy to the competent authorities of the host Member States, of making disclosure, registration in public registers of the Member States and informing the known creditors who have their habitual residence, domicile or head office in other Member States.

The competent Romanian court will inform the National Bank through the competent authorities of the host Member States, before the adoption, and if this is not possible, immediately after, of the decision to open a procedure of judicial reorganization and bankruptcy, including the practical effects that such a procedure may have.

The competent Romanian court will take immediately the necessary steps for the publication in the official language or one of the official languages of the Member States concerned, an extract from the decision to initiate judicial reorganization and bankruptcy proceedings, stating from the subject and the legal basis of the decision taken, the time of appeal, including the date of expiry of this term and the competent Court, in the Official Journal of the European Communities and in two newspapers circulated in each host Member State (Art 49 paragraph 1 and 2).

Bankruptcy procedure applies regardless of the performance of this publicity and has full effects on creditors (Art 49 paragraph 3). However, the person who performs an obligation in a state for the benefit of a credit institution without legal subject of insolvency proceedings opened in another state, rather than run for the benefit of the liquidator

appointed in those proceedings, is released if aware of the opening of the proceedings.

Also, for performing the advertising obligation, the competent court is entitled to request the registration in the real estate book, the trade register and any other public register kept in the other Member States of the decision to initiate a procedure of judicial reorganization and bankruptcy to a credit institution. If the registration is compulsory under the law of that Member State, the court must take the necessary measures to ensure that registration. The registration costs will be considered costs of the procedure.

After opening the bankruptcy proceedings of a credit institution, Romanian legal person, with branches in other Member States, the administrative or judicial authority or the administrator or liquidator, as appropriate, will promptly inform the individual and the known creditors who have their habitual residence, domicile or head office in other Member States in the form of a written notice indicating in particular, with time limits, the penalties provided for the failure to comply with these terms, the legal requirements for consideration by the competent court of the approval of such claims or comments about these claims, whether the preferential claims or those that were security interests are subject or not to verification and any other measures or procedures provided by law. (Art 53).

All these information procedures however will have to observe the professional secrecy. Art 58 of the Ordinance takes the provisions of Art 30 of the Directive 2000/12/EC of the European Parliament and of the Council of March 20, 2000, on the access to credit institutions and its exercise. According to art 58, the persons required to receive or divulge information in connection with the information or consultation provided for in this Ordinance are bound to professional secrecy, except any judicial authority to which the national provisions in force apply.

The treatment of foreign creditors (with the domicile / residence or, where appropriate, incorporated in a Member State other than Romania) is governed by the Ordinance starting from the principle of non-discrimination based on nationality or nature of the claim.

This non-discriminatory treatment is defined by three fundamental rights of foreign creditors, namely: the right to be informed of the initiation of the judicial reorganization and bankruptcy of credit institutions and the conduct throughout the proceedings, the right to lodge claims and written comments about their claims on the institution credit and the right to be treated equally and have the same preference ranking as claims of creditors of the same kind as of the national creditors.

The liquidator appointed under Romanian law can act without further formality within the host Member States under a certified copy of the decision of the competent court appointed or under a certificate issued by it and may exercise upon all the territory of the host Member States its powers under Romanian law. He may also appoint persons to assist or represent him in the proceedings in the territory of these states, especially in order to overcome any difficulties encountered by creditors in these countries.

In exercising his powers, the liquidator shall comply with the law of the Member State in whose territory he acts, particularly with regard to procedures for the realization of assets and the provision of information to employees of the credit institution of the Member State. The powers may not include the use of force or the right to settle litigations or disputes.

5. Reorganization and bankruptcy procedure applicable to branches of credit institutions in Romania from other Member States

The reorganization and bankruptcy procedure applicable to branches of credit institutions in Romania from other Member States is governed by Chapter 3 similarly as for the reverse situation, the judicial reorganization and bankruptcy of credit institutions, Romanian legal entities, and their branches established in other Member States, subject to Chapter 2.

The ordinance explicitly enshrines the principle of automatic recognition of the judicial reorganization procedure or opening of the bankruptcy procedure on a credit institution in a Member State which operates on the Romanian territory.

Thus, according to Art 56, if the credit institution in a Member State which operates on the Romanian territory was ordered to commence the reorganization or bankruptcy proceedings, they shall be applied without further formalities in Romania and they will take effect under the conditions and the date specified in the legislation of that Member State, the principle of reciprocity becoming valid when Romania joins the European Union.

The information obligation for the opening of proceedings for credit institutions with branches in Romania, located in a State other than a Member State is covered by Title III, “General Provisions”. If the decision of opening the proceedings was taken for a branch in Romania of a credit institution established in a State other than a Member State, but which has opened branches in other Member States, the competent court shall inform the Romanian law without delay, if possible before the adoption of the decision, and if not, immediately afterwards, through the National Bank, the competent authorities of the host Member States on this decision, including the practical effects that such a procedure may have.

6. Conclusions

In many ways, no matter how “successful” the solution adopted by a state would be in a crisis situation of a given bank, any bank crisis is a costly and unpleasant situation, with potential negative effects of the financial system of the state, region and even the financial system as a whole. That is why the need for cooperation and coordination in cross-border insolvency knows particular aspects that require specific regulation where the debtor subject to the proceedings is a credit institution.

Directive no. 2001/24/EC of the European Parliament and the European Council on the reorganization and liquidation of credit institutions approach is most notable in this area.

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Comparative Study on Male Vs Feminine Leadership in Public Administration in Maramures County, Romania

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Abstract

Leadership in the Romanian public administration is an exciting research area and also of current interest, while the success of public organizations depends now more on the human factor than on the funds becoming less accessible. Another item of interest is given by the low representation of women in managerial positions in administration. This paper presents a study on two mayors, a woman and a man of Maramures County, Romania, in order to identify and compare the leadership styles practiced. Belbin and Kilmann tests have revealed significant differences between leadership styles, which seem to favor women. Without claims of generalization, the study shows that female leadership in the administration is likely to produce success in achieving the objectives of the organization, which is an important argument against gender discrimination.

Key words: leadership, typology, gender, public administration

J.E.L. classification: J16, J79, R59

1. Introduction

Leadership in public administration is a challenging issue, for both the administrative and the political systems. As a leader is supposed to do the "right things" [3], such a person must be a most wanted professional now-a-days, marked by a severe financial crisis, where those "right things" are above all cost saving.

In times of un-discrimination and equal opportunities, it would be a great mistake to neglect the women, a large human resource for top positions in the public administration, where, at present, they represent less than

10%.

Making a comparison between the characteristics of two leaders in the Romanian local public administration, our research is meant to highlight the pros and cons for giving women such responsibilities and more.

2. Leadership, types and qualities

Leadership is an extremely complex phenomenon that has in view a range of aspects, from decision making, to human relations issues. Thus, leadership is defined as a process in which an individual influences a group to achieve common goals [7].

Leaders are visionary characters, they become models, standards for their subordinates, they satisfy the need for change of people, motivate them to overcome their limits and interests, mobilizing them to achieve the organizational goals.

What are the types of leaders and what distinctive features characterize a successful leader, are very relevant questions and which have determined extended and deepened studies on the typology of leaders.

Leadership styles according Kurt Lewin [5]:

- The democratic style, where the leader involves the subordinates in decision making, in setting objectives and strategies. The leader listens actively and uses the feedback for the benefit of his subordinates, encourages initiative and individual contributions.
- Autocratic style that involves the centralization of authority, so decisions are taken by the leader. The leader set tasks and methods of work, the opportunity of the employees to get involved is limited.

- The "laissez-faire" style in which the leader can bring a number of explanations, clarifications, but decision-making and setting the working methods rest on the employees.

An innovation in the domain of leadership style is the appearance of the dichotomy transformational - transactional, similar to that between management by objectives (MBO), and, respectively, management by exception (MBE) [1]. It is important to note that in essence, according to some authors, transformational leadership is opposed to the transactional. Regarding the latter, rewards are contingent to the effort and the level of performance achieved, while concerning the transformational leadership, the subordinates are inspired, motivated by the image of the leader, they channel their energy on achieving high standards, following the example of the leader. Transformational leadership encourages commitment to the organization and its objectives, insists less on mechanistic, forced work, only to reach the required standard. And yet there is a common denominator, namely that they are linked to achieving a goal.

Transformational leader traits have a feminine touch. Women-leaders are people-oriented, rather than to tasks, they communicate effectively with the team, get involved, count on the team-spirit, practice a reduced managerial control, are more sensitive to nuances and conflict solving, without being irrational.

To practice an effective leadership, the leader must possess certain qualities, skills. It is noted that these skills can be acquired or learned, in addition to the innate ones. The most important quality of a leader is self-control. According to John Maxwell [5], one of the most important qualities of a leader is communication, i.e. the ability to communicate correctly, but especially effectively. In organizations, communication is the cornerstone behind all operations and processes.

Competence is also an indispensable quality of a leader, as assesses Maxwell: "The competence goes beyond words. It is the leader's ability to transmit, to plan and to act so that others can intuit that you know how it's done - and know that they want to follow you" [6].

Two other important qualities provided by Maxwell to be a perfect leader are generosity and passion.

3. Presentation of the case study

This paper presents a comparative research on the male-female leadership in the Romanian administration.

It is well-known the situation of the Romanian administrative system, characterized by excessive bureaucracy, which makes difficult not only the administrative process, but also harms the public sector image in general. The overcome of these drawbacks can be achieved by humanizing the style of leadership, by the personalization of the leader-subordinate and leader-citizen relationships.

The main objective of the research is to identify the differences between the female and male leadership, by identifying the typologies of the two leaders and the impact on the organizational environment both internally and externally, from the leadership practiced by each of two subjects.

In addition to exploring gender differences on leadership theory, an area less approached, the study may provide support for the formation of authentic leader in the Romanian administration.

There were conducted two case studies on two mayors belonging to neighboring local government units, and having an approximately equal number of inhabitants, one of them having as mayor, a man, and, the second a woman. The cases studied are: Mrs. Ioana Trifoi, Mayor of Botiza and Mr. Vasile Dunka, Mayor of Poienile Izei, both of Maramures County.

In this regard, it was chosen as a research method the case study and the tools were applied as follows:

- The interview guide
- The Belbin test
- The Killman test

4. The Belbin test

The Belbin test [2] [12] aims to assess seven important aspects of the work done by a leader resulting in the same number of questions, each with eight answers which refer to the ability to achieve organizational

objectives tested and to relate with people. By applying this test is intended to identify the typology of the leader and the capacity to inter-relate within the group. The topics are:

1. How do I think I can bring my contribution to the team?
2. If I have a deficiency regarding the teamwork, it could be...
3. When participating in a project with other people...
4. In group relations, my typical approach is manifested in this way:
5. I achieve successes and job satisfaction because...
6. If a difficult task is assigned to me, which has a deadline, and means to work with people with whom I've never worked before...
7. Thinking of the difficulties that I have working in a team, I can realize that...

The two leaders have selected the same answers 26 times, but the responses were rated differently, depending on the importance they give to such statements. Differences in rating are significant, for example, at item 6, Ioana Trifoi evaluate article B ("I would be willing to collaborate with the person who shows the most optimistic attitude regarding the problem") with 3 points, while the same article was rated by Vasile Dunka with 1 point. Another case of great differential rating is registered with the item 7, article B ("I could be criticized by others because I am too analytical and insufficiently intuitive"). In this case the man gives four points, while the woman gives only one point.

In the case of the woman-leader, the best scored articles were those that promote team spirit, interpersonal relationships and communication. The woman-leader encourages initiative, considers all points of view (even those inappropriate presented), and focuses on building solid, empathic relationships with the team. As a leader, she is aware of both her qualities and flaws.

Regarding the man-leader, the best scored articles were those concerning the fulfillment of tasks correctly and on time. Also noted is an orientation of the leader towards power, and less towards people and interpersonal relationships. Moreover, the articles concerning the relations with the team were the least rated by the man-leader. He influences the course of action more through

sanctions, rather than by reasoning. As he states in the interview, as response to the question "In relations with colleagues, what do you think are their attitudes and perceptions towards you and the work you are doing?" his actions are based on the principle that "it is very important that the subordinates 'know the fear'".

Following the interpretation of total scores, it was established that Ioana Trifoi fits into the Co-ordinator category, showing good skills of group organizer, manifesting active listening and encouraging initiative by the extrapolation of talents and qualities of team members. Regarding Vasile Dunka, he fits into the typology of Monitor-Evaluator, at an extremely small difference of that of Shaper. According to these roles, the leader focuses mainly on the rational, prudent dimension of the activities he undertakes, being characterized by the constancy with which he criticizes and gives negative remarks, as well as by the tendency to compete with other team members.

Ioana Trifoi, as shown by the articles she selected and their ratings, appears mainly as a Democratic leader. According to literature, these behaviors are characteristic for a transformational. And all these aspects can be found in the articles selected and generously rated by the woman-leader.

Vasile Dunka fits into the typology of the Autocratic leader, according to the same classification, not by 100%, but certainly in a higher proportion than the woman-leader. The autocratic style implies decision centralization, as the leader set tasks and work-procedures.

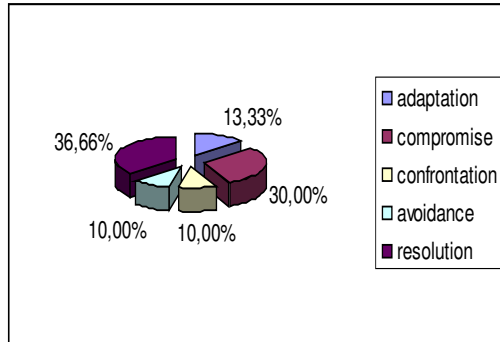
5. The Kilmann test

The conflict resolution self-diagnosis – Thomas-Kilmann conflict test [4] - allows the classification of the leader personality into five types of solving conflict situations: confrontation, resolution, compromise, avoidance and adaptation.

After analyzing the chosen response alternatives, it was shown that Ioana Trifoi is an adept of the resolution-compromise style (36.66% - 30%). In other words, the woman-leader relies on a logical, democratic process of conflict settlement, which becomes the only purpose, conflicts are discussed openly and directly, and all interested parties

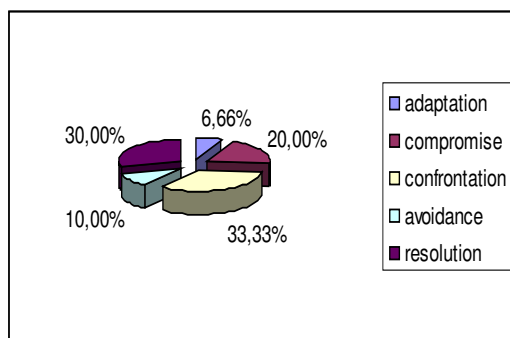
participate to negotiations, so that the chosen resolution alternative will be unanimous known and accepted (a "win-win" situation). This approach is specific to the transformational leader. These issues come to sustain the democratic style of the women-leader, as demonstrated by the Belbin test.

Figure 1. Percentage on styles - Ioana Trifoi



Source: author's research data

Figure 2. Percentage on styles - Vasile Dunka



Source: author's research data

On the other hand, the man-leader has been shown to adopt a confrontation-resolution style (33.33% - 30%). The percentages highlight an assertive and slightly uncooperative behavior. The leader consults with subordinates to identify a solution fair to any party, but the final response and decision belongs to him. As in the case of the women-leader, the typology established through this survey confirms the Belbin test results, that fit Vasile Dunka into the autocratic leader category, but not fully. Because it is not 100% confrontation style, combined with the 30% resolution style, a number of specific features of the autocratic leader are canceled. According to this test, in case of conflict, this leader is only slightly uncooperative, and not entirely

uncooperative.

Thus, the man-leader fits into a 33.33% - 30% confrontation-resolution style, and the women-leader fits into a 36.66% - 30% resolution-compromise. Differences between the confrontation and compromise styles are significant; the specific features of each of them are diametrically opposed.

Ioana Trifoi has an assertive and cooperative behavior, collaborates with others, and attempts to identify several alternatives of which will be chosen the one that meets best the interests of all the parties. The woman-leader opts for a solution reached through negotiations with the interested parties, so that no one is neglected.

On the other hand, Vasile Dunka, cares very much that his point of view is taken into account. Although, according to percentages he is taking into account the views of others, he has the final word.

6. Conclusions and recommendations

The phenomenon of leadership has a major importance in ensuring the efficient and effective functioning of an institution, whether public or private. Private institutions have an extra efficiency, because the innovative changes are allowed, and are not limited by the rich legislation governing the functioning of public institutions. Leaders are, currently, the visionaires that will achieve the much needed reform. Leaders are perceived as having masculine features and the women's access to power or to the managerial structures of the public institutions is difficult. The perspective of female leadership is viewed with skepticism and this causes a gap in the maximum exploitation of managerial capacity in this labor sector.

The research presented in this paper has some limitations on the possibility of generalizing the results. Gender difference is a necessary topic to be studied in the present circumstances in which equality and undiscrimination are more than ever in the attention of society. The issues discussed in this paper can be a starting point for future research, more extensive, in a representative sample, whose results are generally valid.

7. Acknowledgement

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The Mechanism of Corporate Governance in Romania

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Abstract

The corporate governance is one of the key elements for improving economic efficiency, particularly in the current context of financial global crises. Corporate governance regulations are not uniform across the world. Considering these circumstances, our paper examines the main characteristics of the corporate governance in Romania. Then, we include a review of the methodological framework for corporate governance legislation.

Key words: corporate governance, principles, models, firm, performance

J.E.L. classification: D23

1. Definitions of Corporate Governance

In this era of globalization, competitiveness growth and salience of financial flow mobility, corporate governance has become one of the key elements that have a high impact on companies' performance and implicitly on national companies. Due to its implications with the efficient allocation of resources on a national scale and economical performances growth, corporate governance has proven to be an essential factor economies.

Corporate Governance is an increasingly complex concept ranging over many fields from business administration, economics, accounting, law and more recently ethics and social sciences.

Corporate governance is, according to the Organization for Economic Cooperation and Development (hereafter OECD) tenets:

- A set of relations between the company management, the managing board, its shareholders and other interest groups within the company;

- The structure by which company objectives are set as well as the means for achieving these objectives and monitoring performances;

- The stimuli system granted to the management board and administration in order to increase the objectives that are in the company's and shareholders' best interest and to facilitate monitoring, thus encouraging companies to use their resources more efficiently.

This definition is the most consistent definition, because it specifically integrates a company's relations to its internal environment, i.e. the shareholders and employees, as well as the outer environment, such as suppliers, creditors and, last but not least, the interaction between the two environments and management frames: management board, company management.

Due to the factors that influence a company's activity and, implicitly, corporate governance, it is safe to say that the latter is relevant only within the scope of large companies, where there is a clear separation between the structure of ownership and the actual management of the company. Legally, these companies are organized as joint-stock companies, where shareholders participate only as investors, generally don't know each other and cannot contribute to the current management of the business, which is entrusted to professional managers.

In what small businesses are concerned, we may say that corporate governance is relevant only in regarding the relations to employees, creditors, suppliers; as investors are directly involved in the decision making process.

2. The main types of Corporate Governance

The analysis of governance structures within enterprises, in developed countries, allows for certain specific characteristics to be identified in Anglo-Saxon, European and

Asian countries. Specialized literature identifies three main types of corporate governance (Onofrei, M., 2007):

a) The traditional model is characteristic to the North American system and operates on three hierarchic levels: shareholders, executives and managers. According to American legislation, the rights of the shareholders, to influence the ongoing activity of the corporation, are limited to the election of the members of the board of directors. The shareholders do not have the right to make direct decisions regarding the business governance (e.g. Payment of the dividends), but can only act indirectly, that is to say through the board of directors, in order to modify the attitudes and decisions of the managers. Operators, however, can decide to cease financing, by refusing to raise equity. In extreme cases, in the absence of the shareholders' financial support, the board of directors can proceed to replacing the general manager or the other components of the top management teams (Hart, O., 1995).

b) The co-determination model is characteristic to Western European countries, the participants being classified on four hierarchic levels: shareholders, executives, managers and employees. The model is representative for Germany, whose economical system is based on social co-determination, in the sense that various social categories are making efforts in order to raise social welfare (Onofrei, M., 2007). As opposed to the traditional model, this model introduces a participative management system, starting from the premise that the business risk is lower for shareholders than it is for employees; the latter cannot diversify their investment portfolio, but can elaborate recommendations for the board of directors in order to reduce risk, giving the decision making process a democratic feel.

c) The stakeholder model is characteristic for countries in South-east Asia and is also classified on four hierarchic levels. It can be differentiated from the co-determination model by means of the complexity of the relations it establishes. The model gives proper attention to each stakeholder and does not clarify the extension of rights and liabilities. Thus, a balance is kept between the decision making process and the levels based on which it is structured (Brezeanu, P., Stănculescu, A., 2008).

Although these corporate governance models are characteristic for large companies, they are also applicable to smaller, publicly traded enterprises. In Romania, just as in other Central and Eastern European countries, companies are characterized by a corporate governance model, based on the internal regulation of employees and of the management (Robu, V., 2004). These aspects are presently being developed.

Regularly, the *internal regulation* is not an outcome in itself, but just a means by which the corporate management tries to ensure of reaching the organizational objectives. The responsibility of ensuring internal regulation lies on the executives. The principle of the separation of duties is one of the foundations of organizing the internal regulation system. It allows avoiding the plurality of any two incompatible functions. The incompatible functions are: the operational function, the asset protection function and the accounting function (Bunea, Ș., 2011).

In the case of SME's in our country, the rule for the separation of duties, one of the foundations of internal regulation, is often disregarded. The confusion of these functions entrains that the error and fraud risk are a necessity. Nevertheless, in many SME's, the manager exerts genuine administrative control, which is an essential element of the internal regulation. Statistics show that fraud is no longer recurrent in a small or medium sized enterprise, as it would be in a larger company, which, elaborates its procedures better and has a higher level of respect for the principle of separation of duties, and the cause for this is administrative control which is proven to be more efficient in smaller enterprises.

In our countries, the rights of the employees, as stakeholders, are regulated by the constitution, work and unions legislations (Onofrei, M., 2007). Beside the rights guaranteed by law, such as minimum wage or basic welfare, the employees have the right to information and to express their opinion to the board of directors, on matters such as the reorganization of their activity or cutbacks in personnel. At the same time, employees are entitled to collective representation, whether or not they belong to a union. This right is generally respected and unions have plenty of political power, especially in state owned

companies. Strikes and union actions were frequent in Romania, one characteristic trait being their protest toward privatization and reorganization.

In respect to employer transparency, the cases in which employees are systematically informed on the financial performances of their company, or taken counsel with regarding important decisions, are considered exceptions. Nevertheless, there are cases in which union leaders were appointed on the board of directors.

Romanian law for trade companies offers solutions for appointing the board of directors, according to the default European law. On the other hand, the separation of duties between executive and non-executive members has not been institutionalized and, except for isolated cases, neither has the appointing of independent members on the board (Onofrei, M., 2007). Even so, with its efforts to adapt to the community acquis, Romania adopted regulations that imply the election of some administrators with the votes of ordinary shareholders.

Adapting to the proper corporate governance demands, as well as assuming an efficient model, similar to that of developed countries, represents an important activity for our country, thus reflecting a full ongoing process.

3. The corporate governance model in Romania

The implementation of corporate governance norms in our country, entails respecting the principles established in 1999 (amended in 2004) by the OECD (Organization for Economic Cooperation and Development), applied to each European country in turn, in accordance to its legislative system. The principles refer to: ensuring a basis for an effective corporate governance system, the shareholders' rights and the key duties of the participants, the proper treatment of all shareholders, the stakeholders' role in the corporate governance, information and transparency, and in the responsibilities of the board of directors.

In Romania, the principles were mainly kept unchanged, with the exception of concentrating the second and third principle, from the previous recital, into one larger

principle (Onofrei, M., 2007). The principles of corporate governance and the regulations of the capital market are designed to offer insurance to the investor that the funds he invested in securities, issued by traded companies, are used for the declared purpose of obtaining profit. This way, the investor is ensured for unfair, abusive and fraudulent practices, which may arise on the market.

The main corporate governance issues in Romania may be synthesized by the following observations:

- ✓ The frail institutional framework constitutes a significant obstacle for the consolidation of a solid investment climate;
- ✓ The implementation enforcement and rigorous execution of the already existent legal terms should represent a priority;
- ✓ The private sector should take over the initiative for the development of implementation instruments, as well as for the promotion of public debates on corporate governance issues;
- ✓ Concentrating on remedying the system's greatest weakness, namely invading the rights of ordinary shareholders.

According to some analysts, the issue of corporate governance has gained importance over the last few decades, as the role of the private sector has grown on a global level. To that effect, the analysis of the Romanian companies' sector represents a valid point in the implementation of the necessary norms for the corporate governance mechanism.

The Romanian companies' sector recorded a positive evolution after 1990, especially in regard to the number of enterprises, as a result of the private initiative that was launched during the first few months of 1990 and then on the background of privatizations, separations and establishment of new companies. Consequently, by the end of 2005, there were 928255 economical operators registered in our country, of which 450666 were companies, 381468 were private entrepreneurs and the rest were public and private administrations. Even so, a large number of economical operators are inactive. If we exclude the inactive operators and the public/private administrations, then the majority (95,6%) of the number of active operators in the industry, constructions, trade business and other services, are, legally speaking, limited liability companies; only 10923 of the total (2,5%) are joint-stock

companies. Thus, we can see from the analysis, that the majority of the companies are closed companies. This is highly relevant in what corporate governance is concerned, especially in relation to the stage in which governing standards are being adopted in our country, as closed companies offer insufficient information to its investors (Bădulescu, A., 2008).

The importance of good corporate governance was even more so emphasized by our country's opening its economy, in the context of European integration, as it represented an element of economical and social convergence with developed countries. The concept in question has become more and more important over the last few years, for Romania, which has an economical and social system in progress, as well as for member countries of the OECD, where a series of aspects concerning "financial scandals" drew attention to the delicacy of the companies' governing system and, as a consequence, the need to rethink the system was born.

In many emerging countries, the issue of corporate governance was also emphasized by the financial crises on the issuing markets, as well as by the prolonged process of transition from statist economy to a planned market economy. Thus the functioning condition of the corporate governance mechanisms is seen as a key to the institutional structure of a functional market economy.

The OECD and the World Bank have combined their efforts in order to create and support round tables on the issue of administration for corporations in Russia, Asia, Eurasia, Latin America and South-Eastern Europe. The round tables were organized in cooperation with local partners and hosts, whose support was vital to guaranteeing the success of these meetings. Each round table elaborated White papers for the corporate administration, characteristic for the respective region. The exception was made by the round table in Eurasia, which elaborated a comparative paper on the corporate administration in Eurasia. The National securities Commission and the Bucharest Stock Exchange have together organized the first round table in September 2001, in Bucharest. The conclusions drawn during this meeting were to be materialized

the following year (2002) in our country, by elaborating a perfectible code, regarding the structure and organization of the companies, based on the conformation with OECD principles regarding the harmonization of the interests between owners, the management and the companies' executive.

The current corporate legislation system in Romania is rooted in the continental European civil rights tradition. The harsh nucleus of the regulations in this field can be found in Law No. 31/1990 concerning trade companies. Law 31/1990 is based on the Romanian Trade Code of 1938, which although not enacted, constituted an attempt to modernize and update the old Trade Code of 1887. The latter was inspired in a significant percent from French traditional law – although, the project for the trade code of 1938 was also based on the Italian Trade Code, considered, at the time, to be the most advanced in the entire legislation (OECD Report, 2001).

In regard to the law for trade companies, the OECD considers that it must include: strict limitation of the responsibilities between internal and external regulation bodies, classification of the attributions of financial auditors and details on the obligations and liabilities of the members of the board of directors.

A significant fragment in the evolution of the corporate legislation was Law 52/1994 concerning securities and stock exchanges, nullified in 2002. In regard to "open companies" (economical bodies that build their capital by public subscription or whose securities were subject to other public offers), this law contains special dispositions that are more restrictive than law 31/1990. Inspired from European or Romanian law traditions but also from present day Canadian and American legislation, Law 52/1994 was issued in the context of preparing the opening of a stock market in Romania, after more than 50 years of suppressing securities transactions (OECD Report, 2001).

In the process of adhering to the corporate governance structures recommended by the trade companies' law, trade companies have, unfortunately, only managed to imitate a regular governance structure, showing a strong artificial nature. Thus, instead of appropriating the objective of maximizing the company value, the board of directors

was sensitive to political influences and adopted a bureaucratic behavior.

The privatization of state owned companies represented the sole solution for the alignment of the administrators' and managers' interests in order to maximize the value of the companies. The privatization had a slow progress and the economical performances of the state owned companies deteriorated rapidly. On the level of the community, it was continuously considered that privatizations must not constitute a pretext for indirectly helping the respective companies. For example, measures such as erasing the debt or tax exemptions were qualified as helping, even when these measures were taken in order to improve the context of the privatization – e.g. the cases of great magnitude like SC Dacia Pitesti and Sidex Galati (Onofrei, M., 2007). Romania did not follow this criterion to the full extent of its valence.

The Romanian companies listed on the capital market emerged subsequent to the privatization process, which, on the one hand determined the development of highly dispersed shareholders, inactive in the operation of the companies and, on the other hand, groups of high power shareholders. These companies created a form of governing, dominated by management and employees or by the regulation of the shareholders, which does not take into consideration the interests of the stakeholders or other social partners. The most important issue is the infringement of the rights of ordinary shareholders, by reducing their income (Giurcă Vasilescu, L., 2008).

Due to the privatization methods that allowed for a wide access of the managers and employees to the company capital, in Romania, external shareholders do not wish to be involved in financing the investment projects, because of the inefficiency in the means of regulation. To that end, the privatization process has lead to the creation of detached shareholders in the company's activity and no efficient means of regulation. On the other hand, privatization has lead to the emersion of powerful groups of major shareholders. With the lack of an efficient governing within these companies, the conflict of interests between major and ordinary shareholders is inevitable. This conflict degenerates into other conflicts:

between the management, the board of directors and the major shareholders as well as between major shareholders and the company's business partners.

In regard to the activity of the board of directors, Romanian regulations on the matter do not make any specifications concerning the structure of the board, its components, the mode of operation or legal requirements regarding the presence of independent members. As a consequence, several Romanian companies elected members of the executive within the board of directors. This is a breach of trade company laws, which forbid managers (except for the general manager, who can assume the position of board director) from being elected as administrators. This state of things determines the growth of the management's influence.

The European Committee recently published a Green paper, entitled *The EU framework for corporate governance*, by which it launches a public inquiry regarding the optimum means of improving the current corporate governance mechanism.

The public inquiry is set in a long term analysis of the framework for companies' corporate governance. The need for this inquiry is justified by the fact that the recent financial crisis signaled the inefficiency in the operation of corporate governance mechanisms. To this extent, a more effective management of the companies may reduce the probability of a future crisis.

According to the European Committee, the Green paper has the purpose of launching a comprehensive debate, focused on three points:

- ***The boards of directors***, respectively their effective operation and the measures to be taken in order to achieve a mixed structure of components;
- ***Shareholders' involvement***, respectively, solutions for increasing their role in the management of certain issues concerning corporate governance and for motivating them to be interested in achieving long term results and a longer term performance, as well as solutions to increase the protection of ordinary shareholders;
- ***National codes for corporate governance*** in effect, respectively, ways of improving their monitoring and applicability,

in order to offer useful information to investors and the public.

On the subject of corporate governance within public bodies in Romania, studies show the need for a more effective model of governance for local public institutions, externalized by a clear means of regulation and evaluation of the efficiency in using public funds. The model in question must apply the principles of corporate governance with the purpose of improving the activities of these bodies.

4. Conclusions

In the context of globalization and integration of national economies, corporate governance is considered as an important comparative advantage of companies and countries, because it increases foreign investors' confidence in the private sector. Besides, as a result of the reducing the public sector that occurred during the last two decades, the private sector has become an increasingly important provider of public assets. Therefore, corporate governance is a tool of oversight that provides information about the functioning and performance of private firms but also about the economies.

The corporate governance of Romanian enterprises have to be analyzed taking into consideration the evolution of the transition and reform process, which determined many changes in the economic framework.

Romanian companies listed on the capital market have merged from the privatization process, which determined the formation on one side, of extremely dispersed shareholders, inactive in administrating firms, and on the other side, the appearance of a very strong group of shareholders. These companies have a form of governance dominated by management and employees or shareholders control, despite the interests of stakeholders and other social partners. The most important problem is the violation of the rights of shareholders and minimizing their incomes. The managing board and censors have just a formal role of approving manger's or shareholder's decisions.

In conclusion, corporate governance creates safeguards against mismanagement and corruption and can promote fundamental values of a market economy in a democratic society.

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The Accounting Normalisation in Romania: Past, Present and Future

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Abstract

Achievement of the deed of the accounting normalisation at a national level might be provided by the public power, accountant as profession or a mix mechanism. Within the present context trends increase of the international accounting regulation and accounting non regulation at the national level are perceived. In this paper we present some reference points regarding evolution of the accounting system in Romania and influences of the assimilation of European Directives and International Financial Reporting Standards on the Romanian accounting system. In Romania once with IAS/IFRS assumption it was tried improvement of financial reporting, publication process and individual financial statements remittance.

Key words: accounting normalisation, European Directives, International Financial Reporting Standards

J.E.L. classification: M48

1. The reform of the accounting system in Romania

The Romanian accounting system commanded the creation of a new accounting culture, which would keep with the spirit of relevant European and international regulations, as it was, on the one hand, influenced by the political, legal, economical and cultural environment and, on the other, by the evolution, trends and mutations of the international accounting field.

The transition towards the market economy generated a series of reforms in our country, out of which, the reform of the accounting system, represented and still represents an important position.

A thorough accounting reform in Romania could not ignore the high impact international doctrines and accounting regulations, oriented toward accounting systems characterized by the primariness of financial statements that would supply intelligible, relevant, credible and comparable accounting information for as many users outside the enterprise as possible.

Realizing the accounting system reform after 1990 was done gradually, by covering the following steps (Ionaşcu, I., 2003):

- The first step, begun after 1990, when a reform was made to create *Romanian accountancy law*;
- The second step began in the year 2000, during which it was intended to *ensure the accounting compatibility of Romanian companies with the evolution of the international accountancy law*.

The first step of the accounting reform was focused on the development of a Romanian accountancy law that will encompass concepts and accounting practices, specific to enterprises operating under the conditions of the market economy, which helped set the starting point of the harmonization with European accounting norms.

Within this step we can identify three periods:

- 1) **The period between 1990 and 1993** This period could be characterized by the adaptation of the former soviet accounting system to the new economical conditions and the application of a French-inspired accounting system, referred to in specialized literature as *The new accounting system*. During this period it was attempted to align the accounting regulations and practices to the European standards. With the new Accountancy law no. 82/1991, which enacted the General Accounting Plan, Romania adopted a new continental accounting system, namely the French one. On January 1st 1993, the new system entered into an experimental stage, using 70 various

economical agents, means of capital exploitation and different types of developed activities, as test subjects.

2) ***The period between 1994 and 1996*** The new accounting regulations, *Accountancy law no. 82/1991* and *its Enforcement regulations*, were applied starting with January 1st 1994, guaranteeing a certain compatibility with the accounting practices established in the European accounting directives. These regulations were elaborated under the guidance of French and Belgian experts, thus explaining the fact that the newly implemented accounting system is of French inspiration, a finding reflected in several dimensions:

- The taxation-accountancy link, attested through the use of provisions;
- The General Accounting Plan is a replica of the French accounting plan of 1982;
- The structure of the Balance and the Profit and loss account is a copy of the French structure.

The accounting system adopted in 1994 is a dual system, where financial accounting is normalized and management accounting becomes optional. The two types of accounting have different functions: financial accounting has an external financial communication function and management accounting has a provision function. The introduction of a dual accounting plan marked the entrance of a type of accounting oriented toward internal as well as external financial information users. The French accounting system proved to be a good choice. The French model was a system, which was adapted to Romanian traditions, to the existing conditions of those years and easily adaptable to the Romanian economy, which was actually demonstrated.

3) ***The period between 1997 and 1999*** In the year 1997 the program for the development of the Romanian accounting system was initiated, whose objective was that to harmonize accounting in Romania with the European accounting directives and international accounting standards. At that moment there were arguments and counter-arguments to the implementation of the IASC conceptual accounting framework and the international accounting standards, whose elaboration was predominantly of Anglo-Saxon influence, arguments which may contradict the European accounting

directives. Thus, in order to achieve the accounting harmonization of the national legislation with the European and international demands, two solutions were born: one was the restatement of the national financial statements based on international standards, and the second was to edit, from the beginning, the national financial statements based on the international standards for enterprises listed on specialized financial markets.

The second step took place in the beginning of the 21st century, when Romania adopted a program for developing its accounting system born out of the necessity for globalization of the economies and financial markets.

Within this step we can identify three periods:

1) ***The period between 2000 and 2002*** this period marked a turning point in the development of accounting in Romania. Romanian normalizers decided to reorient the accounting doctrine towards an accounting system where the Anglo-Saxon elements are predominant. The objective of the program for the development of the accounting system is to implement a system shaped on international regulations and practices, which can be found in the international accounting standards.

The premises of applying the international accounting standards to large enterprises were created by the *Ordinance of the Minister for Public Finances no. 403/22.04.1999* for the approval of the *Accounting regulations harmonized with the 5th Directive of the European Economical Communities and the International Accounting Standards*, which was subsequently replaced by OMPF no. 94/29.01.2001, with the same denomination.

According to OMPF 94/2001, the application of the *Accounting regulations harmonized with the 5th Directive of the European Economical Communities and the International Accounting Standards* during 1999-2005, is provisioned to take place gradually, within large and medium-sized enterprises. In order for that to happen, the application of the standards must be realized in full, with no allowance for modifications, adaptations or omissions.

The novelties introduced by these regulations into the national accounting system are new concepts and objectives, based on which the reports for the financial statements will be made. The set of financial statements includes two new financial statements: the modification of the ownership equity and the cash flow statement. The annexes were replaced by *Accounting policies and annotations*, which can be differentiated from the former not only by the change of title but also by the contents: annotations offer details and comments to the information given in the set of financial statements in order to enhance the relevance of the financial information supplied; accounting policies offer methods and accounting principles adopted by an enterprise in the process of working out the financial statements.

2) ***The period between 2003 and 2005*** starting with January 1st 2003, the enterprises that did not fulfill the size criteria set out in OMPF no.94/2001, elaborated financial statements according to the *Simplified accounting regulations, harmonized with the European directives*, approved in OMPF no.306/2002. At this time, the Regulation for applying the Accountancy law, approved by G.O. no.704.1993, ceased its validity. These regulations were, basically, a simplified version of the standards for accounting in large-sized companies.

3) ***The period between 2006 and the present day*** from the comparative analysis of the European directives (the 5th and 6th) and the national accounting regulations there resulted some inconsistencies. In order to eliminate these unconformities, the Ministry for Public Finance elaborated an accounting regulation consistent with the European directives, which replaced, starting with the 1st of January 2006, the OMPF no. 94/2001 and OMPF no. 306/2002, respectively OMPF no. 1752/2005.

The main novelty brought by OMPF no.1752/2005 was the unification of the accounting regulations, so that the economical agents who applied the regulations approved by OMPF no.94/2001 and OMPF no.306/2002, by the end of 2005, applied, starting with the 1st of January 2006, unitary accounting regulations, respectively OMPF no.1752/2005.

At the moment, in Romania, the **normalization apparatus** of the economical agents' accounting is made up of:

- Accountancy law no. 82/1991, republished;
- Accounting regulations for economical agents and public institutions;
- Methodological standards and accounting definitions acting as regulations;
- Methodological instrumentations acting as professional guides;
- General framework for hatching out and presenting financial statements, elaborated by the International Accounting Standards Board (IASB);
- The accounting standards or norms network defined by the International Financial Reporting Standards (IFRS), known until 2003 as International Accounting Standards (IAS); European accounting directives; National Accounting Standards as developments made, according to the EU Accounting directives, the framework for IASB and in convergence with IFRS; additional National Accounting Standards for the areas not covered under IFRS/IAS;;
- General Chart of Accounts;
- Recommendations and practical guide;
- Financial auditing law.

2. The implementation of IFRS in Romania

Romania covered between 2000 and 2005 a program for the implementation of Accounting regulations harmonized with European directives and International Accounting Standards.

Adopting and implementing IFRS in Romania started as a request included in the European Parliament regulation no. 1606/2002.

Therefore, **OMPF no.907/2005** was adopted, regarding the approval of those categories of legal persons who apply accounting regulations according to IFRS, respectively to the European Directives. This ordinance referred only to the fiscal year of 2006 and anticipated that all legal persons mentioned in art. 1 of the Accountancy law will apply accounting regulations, according to European directives, for the year 2006. (OMPF no.1752/2005).

During the fiscal year of 2006, the loan institutions, also elaborated a distinct set of financial statements, conforming with IFRS, only for self information necessities, with the parenthesis that such accounting statements, which are in conformity with IFRS, are only met by the restatement of the financial statements according to European directives.

By taking into consideration the objectives of the national action plan for the improvement of the financial reporting, the process of preparing the strategy for the implementation of IFRS was continued, and was materialized in the elaboration of the General Framework for the IFRS strategy implementation in Romania, along with the World Bank, which was approved by the Accounting and Financial Reporting Council. This general framework was adopted as a work product and shall be continuously revised with the evolution recorded in adopting and passing IFRS.

OMFP no.907/2005 was replenished by **OMPF no.1121/2006** on the application of the *Financial Reporting International Standards*, which states that, in order to ensure the conformity national regulations with European Union regulations on accounting, during the fiscal year of 2007, Romania will continue to gradually implement the International Financial Reporting Standards (IFRS).

Under this ordinance, by International Financial Reporting Standards we understand:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS); and
- Associated interpretations (SIC-IFRIC Interpretations), subsequent amendments to those standards and the associated interpretations and future associated standards and interpretations as approved by the European Union translated and published the Romanian language.

Starting with the financial year of 2007, the trade companies whose securities, at the date of the audit, are accepted for trade on a regulated market and that elaborate consolidated financial statements, were obligated to apply the International Financial Reporting Standards.

For 2007, the other public interest entities could apply the International Financial Reporting Standards upon elaboration of individual or consolidated financial statements, for self informing necessities.

All bodies that must, or opted to, apply the IFRS must ensure the continuity of said application. They may also elaborate a distinctive set of annual financial statements obtained by applying the International Financial Reporting Standards, destined for information users, other than state owned institutions.

This regulation stipulates that all bodies, including the ones applying the International Financial Reporting Standards, must elaborate financial statements in conformity with European directives (OMPF no. 1752/2005).

The adoption of the IFRS standards, starting with January 1st, 2006, determined significant incidents, for some enterprises, when presenting their financial position and performances.

3. Conclusions

The IASB conceptual framework contradicts the Romanian accounting tradition, which is why a series of **problems** may occur. From here on, we will refer to certain aspects we consider as relevant.

By applying the new regulations, the general framework becomes compulsory, in the detriment of the General accounting plan, even if that entails changing the Romanian mentality on professional accounting. If this challenge is not carried out immediately, the modification of the chart of accounts in effect will become compulsory.

Special importance will be given to financial statements, in the detriment of the financial records procedures. These must answer to the users' need for information on the financial position, of the enterprise, the performance and modifications in the financial position of said enterprise.

The fundamental objective of accounting is obtaining real, accurate and credible information for the users, which must be generated with lower costs than the users' benefits and be transparent and comparable in time and space. Thus, through the adopted policy, the administration of the enterprise

must seek a balance between relevance and credibility.

Accounting professionals will be faced with a dilemma of whether or not to elaborate provisions, which, on the one hand, artificially diminish profit and dividends and, on the other hand, are requested in order to obtain a precise figure.

The vertical format of the profit account, where expenses are classified by their quality (predominantly fiscal orientation), will be discarded as will the adoption of the model where the classification is done by functions (international accounting orientation).

The precise figure is impacted because Romanian accounting is strongly linked to taxation. In order to obtain the precise figure demanded by IFRS's, the accounting specialist must apply a professional reasoning to solve the issue of the accounting truth conforming to tax regulations, because in Romania, the tax results are calculated starting with the accounting results, which is adjusted with the expenses that are considered to be ineducible and tax deduction. All the discrepancies between accounting and tax policies will be settled off-balance. In this context the need to revise the tax policies in Romania will arise, in order to create the premises for developing businesses, capitalizing such businesses, profit growth and the supervision of the tax parameters by the administration of the companies.

The cross over to IFRS is a complex process that will determine significant modifications in the accounting policies currently in effect.

For the development of standards, the IASB intends to limit the number of options regarding accounting treatment and re-examine the current options of the IAS in order to restrict the number of allowed treatments.

All standards are connected to IFRS 1, because this standard states the manner in which each of these must be implemented by the applicant for the first time. By this we understand an entity that adopts the IFRS standards for the first time, as reference for elaborating its financial statements

In Romania the IFRS standards were adopted on January 1st, 2006. By applying the IFRS standards in Romania we should witness a growth of trust on the capital markets and trade companies. The International Financial Reporting Standards will give Romanian companies the perspective of obtaining capital at a lower cost.

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Crisis Normality in the European Union Structure

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Abstract

During the European Union development there have been some actions marked by failure, situations in which the achievement of objectives was not possible due to the difficulties related to their actual implementation, and because of the backdrop or disapproval of some members. Also, several crisis periods and moments of impasse followed.

The correlation between the terms of crisis, failure, impasse and compromise is determined by the common element - the European Union. Each of them has been and will be further mentioned, as long as this mechanism of creating a new legal order is in an ongoing process of evolution, transformation and development.

However, the registered crisis periods must be analyzed for a specific point of view, in accordance to the Union features.

Key words: crisis, failure, impasse, euroscepticism, eurosclerosis.

J.E.L. classification: K3

1. Introduction

Established as an economic entity, the European Union has evolved from a functional point of view to a legal order based on a constitutional structure, in which the political character determines the statutory rights and obligations belonging to members of participating states, citizens, in this case. In this way, among the highlights of its existence - the establishment, operation, future existence – the EU is defined as a crisis system. The notion of crisis corresponds to the economic situation

resulted in the postwar period, of the Cold War, of strained relations between East and West., but also due to faster evolution of European law towards the European Constitutional Law.

2. Crisis categories in EU

We will analyze the notion of crisis as it takes different forms in relation to the EU system.

2.1. Crisis from the chronological point of view

Starting from the historical perspective and using the chronology of events as a criterion, taken out of the historical context - only for analysis - we can include between the moments of crisis of this absolutely original system, which is the EU, the following:

- 1952 - 1953 - E.D.C. and E.P.C projects;
- 1960 - A.E.L.S establishment;
- 1965 - 1966- the “empty chair” policy;
- 1973 - The first enlargement of the Communities;
- 1975 - The renegotiation of the accession conditions of Great Britain;
- 1984 - The financial crises
- 1994 - The problem of minority blocking in the EU Council
- 2001 - 2005 - Constitution for Europe

There has not been any integration project doomed to failure since the first phase of Communities existence. The treaty signed on 27 May 1952 by the six member states of the ECSC was considering a European Defense Community (EDC), debating the ideas from the "Pleven" plan which was expected to create a European army under the control of a European Ministry of Defense, small armed

units being part of the NATO army. France has not ratified the treaty, given the tools abandonment par excellence of national sovereignty.

Moreover, no draft statute of a European Political Community (EPC) has succeeded since March 1953. The project aimed at achieving an institutional structure similar to ECSC and EDC, providing independent institutions with an important role of policy-making and parliamentary element, but also coordination of foreign policy.

The success of the European Communities in the first years after 1958 is reflected in developments such as: an increase of almost 30% percent of trade between the six Member States, the achievement of customs union a year and a half earlier, designed to be completed by the end of 1969.

However, the implementation of the common agricultural policy (CAP), one of the objectives of the Treaty of Rome, proved to be difficult, leading to contradictory discussions within the European Community up to date.

The spectacular growth from the 60s and 70s in agricultural production in the European Community, far exceeding the consumer needs of Member States and the drastic decrease in the number of people working in agriculture, were the causes which led to difficulties in achieving the CAP. Community institutions have wanted to stop this phenomenon by adopting a plan for providing incentives to increase farm size, mechanization of agriculture and abandonment of less fertile land to cultivate.

As a reaction to the economic progress of "The Six", the Great Britain, for fear of being left outside the European trade, initiated the creation of the European Free Trade Association, along with Austria, Denmark, Switzerland, Norway, Portugal and Sweden in 1960 in Stockholm. The United Kingdom ceased to be a member of EFTA in 1973, during its entry into the European Community together with Denmark and Ireland.

According to the Treaty of Rome, during the transition period scheduled to end in 1965, the European Communities Council, consisted of foreign ministers of the Member States, must take most decisions with unanimously votes. At the end of this transitional period, following the decisions to

be taken with qualified majority votes, a major crisis broke out between France and the other members of the European Communities.

De Gaulle, the French president, was not willing to accept that the vote of France was ignored in major issues, opposing the introduction of voting by qualified majority. Thus, in 1965, the suggestions of the European Commission's President, Walter Hallstein, on the financing of the CAP, the creation of the European Communities' own financial resources and expanding European Parliament's budgetary powers faced the opposition of France, which had boycotted the work of the European Communities Council for six months by adopting the so called policy- the "empty chair".

In order to solve this crisis and due to the essential presence of France in the European Communities, the other states gave up and the completion of the Compromise from Luxembourg took place. It states, in essence, that any of the six states has voting rights when their important interests are affected, rule that is in force until the Single European Act from 1986.

The crisis caused disruptions to the European Communities Council activity, had negative impact on the common agricultural policy and strengthened the relation between governments at the expense of developing the integration process and a community approach. During this period of decision stagnation, the Court of Justice has played a major role, advancing the European integration and stabilizing the European construction by its daring jurisprudence.

The year 1973 marks the first expansion of the European Communities. On January 1, the United Kingdom, Ireland and Denmark became members.

Britain and Denmark showed a skeptical attitude regarding membership, especially when they had been part of the European Free Trade Association, together with other five associated countries, which aimed to counteract the economic effects of eliminating the internal taxes between ECC countries. Moreover, the Danes had no choice, once Britain joined the Treaties, because their exports went to Britain and Germany. Because of its relationship too close to Britain, Ireland needed the opening towards the continent and the funds

distributed by the Common Agricultural Policy.

The increased number of the Member States was a challenge for communities, especially in the economic crisis which started in 1973. If by that time the United States had not prevented the European construction, it started a harsh economic and commercial war against EEC. The absorption of new member states and community development were hampered by rising inflation, rising unemployment, worsening oil crisis, different foreign policies, especially toward the Middle East. In addition, some states did not agree to contribute to the construction of Europe, unless they received in return substantial benefits. It was the case of Great Britain, whose ideal had always been transforming Europe into a free trade area in which each state can pursue their best interests.

To all these aspects, there was also the law-making paralysis caused by the Agreement from Luxembourg, the Community budget further facing with a major deficit.

Joining the United Kingdom would not put to an end the differences of opinion between this and the other Member States, especially in budgetary matters. The United Kingdom contributed with very large amounts to the Community budget, while budget expenditures were allocated most of the time to agricultural support, which brought no gains to British, who were large importers of agricultural products.

A temporary solution was found in 1975, through a complex "correcting mechanism", having the main purpose the resettlement of community tasks due by UK, thus it was broken the principle of community solidarity. Finally, in 1984, at Fointainebleau, under the French presidency of the EC Council, the budget problem was put to an end by reducing the United Kingdom's financial contributions, reducing funds for agriculture and increasing European Community's own resources.

From 1982-1983, the European institutions had found in Europe the internal market shortages. In 1982, the European Parliament entrusted the task of studying the economic crisis to experts in terms of Europe and the finding means of growth. The report published in 1983 showed that, despite the

final suppression of customs duties in 1968, in reality, Europe was witnessing the closing of markets which prevented from overcoming the crisis and enjoying the economic advantages of a large common market. One can observe the limits of the common market regarding persons and goods circulation.

In 1984, the European Community faced a difficult financial situation and the existence of a substantial deficit, with multiple causes.

Firstly, in 1984 the Agriculture Council adopted a decision which caused costs that were difficult to cover by resources perceived by the Community, especially from VAT.

The Commission was also planning to launch a loan to states that should have been subject to repayments spread over eight half-yearly installments, from 30 June 1986. This solution was not adopted, the situation was saved by the appealing to a feed from the states.

Secondly, the budgeting caused permanent conflicts between the budget authorities; the budget was twice rejected by the European Parliament in 1979 and 1984. The crisis was rooted in the community resource depletion and in the Parliament's attitude of contempt towards the Council. Moreover, in 1985, the Parliament finally passed and decided a budget that exceeded the amount of costs from the project set by the Council. The Council appealed to the Court of Justice, obtaining the cancelation of the European Parliament President's final decision. The Court also stated that the budgetary procedure could not be completed but for the institutions' agreement.

Clearly, these difficulties in the budgetary procedure had negatively influenced the development of European construction, requiring recovery efforts.

Before the accession of Austria, Finland and Sweden, the European Communities Council had taken decisions by qualified majority of 54 votes out of 76 possible. The blocking minority was of 23 votes.

The institutional deadlock was caused by the prospect of change in the number of votes to obtain the blocking minority from 23 to 25, the votes being 87 at the present, along with the entry into the Community of the three states. The United Kingdom and Spain triggered an institutional crisis to get the maintenance of the blocking minority of 23 votes.

To solve this situation, by the compromise from Ioannina in 1994, it was decided that the blocking minority could be 23 votes, if "some members of the EU, representing 23 votes showed their interest in disapproving the adoption of the Community Act. In this case, the Council would do everything to reach within a reasonable term and without prejudice the Community interests at a satisfactory solution, that could be adopted with 64 votes", not 62, according to the rule.

However, the compromise has never been implemented so far.

The doctrine holds two contradictory views regarding the constitutional nature of Community legal order, a constitutionalist thesis that denies constitutionalist argument.

The constitutionalist thesis is based essentially on the idea of progressive constitutionalisation of the European Union, keeping in mind the following arguments: the Community legal order has evolved from the legal status formed by relationships and in particular the obligations established between States to that of integral legal order, whose main characteristic is that it gives rise to rights and obligations in favor of and help of individuals in those states. The control operation over the implementation of public power is held by the static model.

Furthermore, the authors highlight the fact that the institution treaties contain provisions having a constitutional nature, as the theme of these treaties is the establishment of both political authority and its legal powers limitation. The organization, the outcome and the procedures of the European Union are established by treaties with the rank of supreme rules, and the application of political power can not take place outside the Treaties.

It is also important the role of the Court of Justice of European Communities in the process of constitutionalisation. This was empowered to draw up the European law, but also to impose its prevalence on national legal systems, setting its "supreme", constitutional value. This was achieved by developing the concepts of direct effect and prevalence of community law over national law, imposed as fundamental concepts.

Regarding the second thesis, the arguments which deny the constitutionalist thesis consider only the constitutionality features of institution treaties, omitting the innovative work of the Court of Justice. In

essence, it is said about treaties, ignoring their clear characteristics towards classical international law treaties, that there is no indication that parties that have ratified them, sought to establish a legal system different from that of international law, the less of one constitutional type. In addition, the standards of democratic legitimacy are not met, as the European citizens should be not only the addressee of the norms, but also their authors.

The characteristic of the European Union Systems makes some of the consequences of classical constitutionalism to be inapplicable, even if it is accepted that the European law order has become a constitutional one.

2.2. Crisis from the perspective of expressed opposing position to the European construction

2.2.1. The Euroscepticism

The Euroscepticism is a political ideology related to scepticism over the European Union and European integration in general. Sometimes, this scepticism is accompanied by the desire to preserve the sovereignty and identity of the European nations instead of creating a European federal state. Eurosceptic movements exist in all European Union member states, although in some countries, especially in Northern Europe, these ideologies are more developed. For example, Norway has not joined the European Union because of the widespread Euroscepticism, while Sweden, Denmark and the UK are not in the euro area. In Sweden and the UK, less than 30% of citizens believe that their country benefited from EU membership. Among the countries that joined the Union in 2004, the Czech Republic is the most eurosceptic, although these countries are generally less Eurosceptic. Euroscepticism is generally associated with the idea of nation state and sovereignty, expressing the concern about the increasing integration and federalization projects of EU. Euroscepticism is usually used as a generic term for a variety of exclusive ideologies and visions towards European political project. The most important distinction is between "hard" and "soft" Euroscepticism.

Hard Euroscepticism implies open opposition of national parties with a platform that opposes the whole European project as

now constituted. Such parties want the withdrawal of nation states from the European Union or its dissolution and the inversion of integration process.

Soft Euroscepticism primarily involves lack of extremist parties and means, rather, a critical and rational vision about the Union, considered bureaucratic and undemocratic. The soft ideology does not promote the idea of dissolution, but that of reform in sectors or policies considered dysfunctional. For example, Norway has not joined the European Union because of the widespread Euroscepticism or the opposition from fishing policy (considered strategic), while Sweden, Denmark and the United Kingdom are not part of euro area, disagreeing the monetary policy. In Sweden and the UK, less than 30% of citizens believe that their country benefited from EU membership. Statistically speaking, Romanian people have the highest level of trust in EU institutions. The concept that opposes the Euroscepticism is that of Europeanism or Euro-optimism, and here are distinctions between "functional" Europeanism, less focused on the idea of integration, rather oriented towards the idea of sectoral benefits and the "identity" Europeanism, the supporter of political integration and federal evolution of the Union.

Based or not on prejudice, scepticism about present and future actions of the Union, and its transformation into a federal state and the loss of national sovereignty, has taken a movement consistency. The rejection of EU policies was felt more strongly in the northern continent countries, Sweden and Denmark and the UK. Norway, Iceland and Switzerland are also major countries who have refused to strengthen relations with the Union or acceptance of membership. It is estimated that Euroscepticism was a major factor in several European failures. Of these the most important are: the rejection by the UK of EU and Monetary Union and Schengen visa, the fact that Iceland has never made any application for membership, Sweden's rejection of euro, the Norway's denial of membership, the rejection of the Constitutional Treaty in referendums from France and the Netherlands, in 2005.

Euroscepticism is generally based on the dissatisfaction present in areas where its presence is felt, but has some common

themes. A large part of those who oppose Union, bases its argument on the fact that the Union is not perceived as a natural product, designed and developed like a state based on national foundations. They believe that the EU is a bureaucratic invention, designed to evolve into a bureaucratic and undemocratic state, a dictatorship of the officials.

Another key issue is related to centralization and the idea of creating a super state, United States of Europe, a copy of the United States of America. Many of the eurosceptics considered the present integral tendency can only have this result. As such, the adopted or proposed measures by the Union jeopardize the sovereignty of each state. Of these, the most disputed are related to the European Constitution, the harmonization of taxes and health insurance system, increasing the powers of Europol.

The eurosceptics also oppose the idea of harmonizing the system of justice and home affairs which they consider unnecessary, considering that national justice operates satisfactorily. In Britain, the dispute came up in Parliament. The main counter-arguments targeted incompatibilities between civil legal systems and the impossibility of providing citizens some basic rights, such as presumption of innocence.

2.2.2. Eurosclerosis

The stagnation of the European integration process, due to problems the national economic systems faced with in the 1970s, was called eurosclerosis, an ancient form of aging stable long-term economic systems. The European integration process, seen as a process of legal integration, should have a stimulating effect on the economy, not just in terms of dynamic and static effects of integration but also by weakening interest pressures. The customs union was achieved relatively smoothly. Gradually, since 1958, taxes were reduced and in 1968 the customs union was broadly completed. Some European countries, that did not want to join the EEC and thus to introduce a common external tax and to use the political model of the group, established EFTA.

Consequently, in the early 1980s, the "eurosclerosis" had two different meanings: described the European countries difficulty to meet their internal economic problems during

the period of stagflation, but also described the European countries difficulty to overcome the challenges of European integration. Two cases have resulted in overcoming the difficulties of European integration. In 1974, the European Court of Justice in the decision "Dassonville" established that any regulations that act as non-tax trade barriers should be removed. By this decision, the Court allowed the competition between different national regulations, pointing out also the way the Member States can overcome future barriers from the flow of production factors by mutual recognition of standards.

Subsequently, the standards in education were recognized, where diplomas began to be mutually recognized and thus allowed EU citizens to work after graduation, in any other Member State. The second situation to overcome the "eurosclerosis" was the schedule to achieve the common market in 1985, in order to overcome economic and political problems of the integration. There were adopted 279 proposals of non-tariff barriers abandonment, of national protection and of border control.

The mutual recognition of standards, based on the minimum level of the Single Market Plan, aiming at reducing at the same time hundreds of protectionist regulations from all Member States, was a success. In the following years, C.E.E. regained its optimism and in the late 1980s went from "eurosclerosis" to "Euro-hysteria" an overflowing optimism regarding the dynamics of integration.

3. Conclusion

In conclusion, the European Union is characterized by a structural crisis, as the systems theory and the application of the traditional concept of sovereignty to the Union structure are not possible. By its nature, the Union requires the simultaneous existence of several systems on the same territory, a situation considered impossible in terms of classical theories of constitutional sovereignty. Consequently, the European Union can be conceived as an entity whose existence is a normal crisis, emphasizing the identity, thus eliminating the notion of "failure", but strengthened it by that of "compromise".

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Some Considerations on Internal Alignment in the Field of Energetic Efficiency of Buildings in European Legislation

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Abstract

Increased energy efficiency constitutes an important component of the package of policies and measures necessary to comply with the Kyoto Protocol and should be a part of any policy package aiming at further undertaken commitments' accomplishment.

Key words: energy, certificate, energetic performance

J.E.L. classification : K49

1. Introduction

Council Directive 93/76/EEC of 13 September 1993 of limiting carbon dioxide emissions by improving energy efficiency (SAVE), which requires Member States to develop and implement energetic efficiency programs in the construction sector and to report on taken measures, started to produce important benefits which have already been felt. However, a complementary legal instrument to establish more concrete actions to achieve more concrete actions for exploiting the great potential still unrealized energy savings and reducing the large differences between Member States in terms of results in this sector is more than appropriate.

2. Analysis of the subject

Council Directive 89/106/EEC of 21 December 1988 on the approximation of laws, regulations and administrative provisions of Member States relating to construction products requires the construction works and their heating, cooling and ventilation to be designed and constructed so that the amount of energy

required in use will be reduced, taking into account local climatic conditions and the occupants' comfort. Energetic performance of buildings should be based on a methodology that can be differentiated from one region to another, and should include, in addition to thermal insulation other factors that play an increasingly important role such as heating and air conditioning, use of renewable energy sources and design of the building.

Romania's domestic legislation provides that a building's energy performance certificate is valid for 10 years from the date of issue, and it shall be developed in compliance with legislation for buildings in the categories prescribed by law and which are constructed, sold or rented.

The certificate is issued to the owner and the owner puts it, if necessary, at the buyer or tenant's disposal. For the categories of buildings that are built (new buildings), the certificate shall be developed by investor / owner's care and be includes documentation for the reception at the end of the work. Specifically, the owner of the property (investor /owner, etc.) must apply, at the end of reception for the energetics performance certificate. For the categories of buildings to be sold or rented (existing buildings), the certificate shall be developed by owner's care and be submitted to the contract of sale, respectively.

With the adoption of Law no. 372/2005, Directive 2002/91/EC implementation was done by national law but not the actual implementation which is to be achieved by legally inferior laws. Law no. 372/2005 is not, however, a simple ordinary law, but an act of transposing an European Directive.

It aims at protecting a public interest, public order, with medium and long term effects, namely the improvement of energy performance for real estate fund as a whole, reducing costs, protecting the environment, preserving natural resources, influencing global energy market, etc.. The Parliament and EU Council which drew up the Directive (EU legal act binding on Member States) were not the least bit concerned about protecting the individual buyer's interest, but providing greater energy efficiency worldwide, as part of package measures and policies to be drawn in order to achieve the obligations under international protocols, as it is clearly stated in the preamble to the Directive.

European Directive 2002/91/EC was amended and adopted by the European Parliament called 2010/31/EC and the 12th article of the Directive requires Member States to provide a certificate of performance required for buildings or building units which are constructed, sold or rented to a new tenant.

Article 2 of Decision nr.335/2010 recommends notary signing the contract of sale or rental of a building energy performance certificate without request of the property which is subject to transaction, but insert the following clause: "The buyer or tenant, as applicable, agree to acquire or use such real estate property, at their own risk, assuming any responsibility regarding the effects produced by withheld information contained in the content of the building energy performance certificate."

National Union of Public Notaries from Romania misinterpreted the content of Law no. 372/2005, as being a concern for private interest (the buyer / tenant), in which case the penalty that comes to the conclusion of the legal act in the absence of competence certificate is relative invalid by energy that could be covered by the clause cited above.

It is clear that notaries can not decide on a building's energy efficiency, as they have no training in the field.

3. Conclusions

To fulfill obligations under the Treaty of Accession, it is compulsory for the directives not only to be transposed, but to be

also implemented, which requires that national authorities should take all necessary and appropriate set of measures for the regulation to apply effectively.

In this case, this measure is that of absolute nullity sanction provision within the Law, in order to enable public notaries not simply interpret provisions of a bill so important to qualify as a relative nullity.

This sanction could not be foreseen in the Directive as EU institutions establish in this act only result needed to be achieved.

Binding force of directives aim at Member States fulfilling the objective set. How Member States adopt the measures prescribed by the directives, the legal instruments they use, are left to each Member State to establish specific sanctions of its own system of law.

In terms of non-compliance with Law no. 372/2005, which establishes penalties for violation of its provisions, I also mention that provision of law which establishes the requirement for existing public buildings to have energy performance certificates for new buildings to have this certificate in case of acceptance of works submitted to the City Halls, does not apply at all across the country.

Law no. 372/2005 has not provided any penalties or consequences for failure to comply with this legislation, the legislature and this gap must be removed to ensure the implementation of Directive 2002/91/EC. Energy certificates are virtually a guarantee for those who are in fear that winter maintenance can cost more.

These are given, among others, over year when the property was built, to materials used to raise his or supply the heat source (central heating or district).

Given the above considerations, I appreciate that it is necessary to "de jure" as in all situations in which buildings are sold/ rented there, must be invariably presented building energy performance certificate when signing that contract, otherwise the sanction must be absolute nullity.

4. References

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Determinants of Climate Pyramidal Organizations

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Abstract

An organization or pyramidal institution can be described as a system in which exceptions are often rules and general developments occur in the particular. The essence of public pyramidal institutions is given by the set of precise rules and regulations, where person formally operates. The existence of a narrowly define framework does not make it easier, as one might think, the work of organization members, on the contrary they sometimes have to show more imagination in solving professional problems, overcoming the formal and therefore manifesting social developments.

Key words: organization, climate, determinants, group

J.E.L. classification: L14

1. Introduction

From here, a polarity between the old and new, rises which can be described as an axis on which each member of his organization has its place. Consequently, some will range throughout the profession only at one at pole, but others will migrate depending on what instinct dictates personal or professional needs occupying successively different positions on the axis described above.

In this context, the necessity of studying the influences on internal and external factors can have on organizational climate, studied in the case of a section in a pyramidal institution.

2. Organizational climate and its components

Organizational climate is difficult to define although many authors have performed this task.

According to some authors it means "all social characteristics of the interaction of different work groups" within the organization, organizational social environment in which each of these groups lead their business.

Climate refers to those characteristics or attributes that distinguish an organization from others. Because organizational climate is perceived primarily by members of groups, it will determine a certain behavior, it appears that people do not behave identically in different organizational climates.

Organizational climate components acts and are defined organization personality, experienced stress at work, inter and intra-group cohesion. Organizational climate perception is internalized through the individual, so the question of defining a "good" climate rises. Therefore there must be taken into account several factors that support the achievement of a detailed picture of it, depending on which it may be determined the optimal climate, specific to each organization, as "good" for some members of the organization can mean "bad" for others. Having to do with concepts primarily characterized by dynamism, organization, climate, group, conclusions that can be drawn on them are always partial and subject to changes taking place within them.

3. Determinants of organizational climate

- Age and size of the organization

Age organization, seen as remote in time from the time of establishment, may have different influences on the climate. A young organization is characterized by limited formalization, while a long organization with stated rules requires, including the environment because the years often play an important role as far as aging and formalization of organizational climate is concerned.

The organization, age, however, is can be regarded also from another perspective, namely the biological and psychological age of its members. There are institutions where the age limit which allows you to perform work is not very advanced (for example, pyramidal institutions stand at 55 years), from this point of view we can conclude that these organizations are "young", but the way the organization works does not support this hypothesis. There are also organizations where their members are past the legal limit of retirement but by the specific professional activity, the psychological age still stands among the organization young. The size of the organization prints a human behavior in a small organization which is different from that shown in a large organization. Personal, quick established human relations, subject an informal structure fosters a pleasant climate a competitive one in comparison with the stiffness of large organization.

- Profile of activity and nature of work

The specific activity of an organization helps defining the climate as lot of important issues are involved like the branch of activity which includes organization, dedication to innovation, research capacity, the technical equipment, predominantly staff some training. Nature of work conditions the climate by its impact humans, the central dimensions of work:

- variety (different job),

- identity (resumption of operations) and the meaning of tasks (which is important in the eyes of workers),
- autonomy (selfcontrol tasks) and
- feed back (information about performance).

The activity's profile and nature of work activity are responsible, in most cases, for the occurrence of stress at work, so there are classifications of the most stressful jobs and job tasks, involving occupational hazard. This is the situation of operative functions in pyramidal institution, requiring a high level of professional stress, which occurs almost constantly.

- Characteristics of the human factor

It is what is called "personality" of the organization. Organizational climate is affected by age, sex, training, communication, satisfaction, turnover, conflicts, stress. An organization with a high number of elderly or less educated is blatantly different from one with younger people trained in the field. The climate supports some influence women on men ratio or the time spent outside work, social activities likely to create an atmosphere based on friendship. Organizations that correspond its of members, needs provides performance in terms of low staff turnover, fewer conflicts and low stress. At the opposite pole there lie organizations with unfavorable climate, where dissatisfaction, absenteeism, and interpersonal disputes are commonly inter collective and conducted under high tension and mental strain.

- Economic and financial situation and organization efficiency

The climate designates an existing state at some point in the organization. It varies together with the time changes of parameters that determine.

It economic conditions are one of the climate's determinants as economic and financial results achieved in the organization make the working atmosphere and the mood. The disappearance of material and moral support removes confidence within the organization, contributing to progressive deterioration of the climate.

4. Role in organization

Another determinant of organizational climate, with human implications nature and features that require finesse in the group's approach, is considered by the people entering its composition.

About the way it is organized, etohes and subsists we have already discussed, so only the issues that define the influence, will be delated together with the role that the group holds within the organization. In the individual isse group's functions can be found in the personal reason for which a person wants to be part of a team "and" cover issues such as social needs relating to complex needs such as need for affiliation (affiliation to the group), the need for affection, the need for security (support by colleagues in case of conflict with employers, dilution of responsibility), the need for recognition (appreciation of personal values, personality, creativity gives evidence of that team), stimulating mental activity: the team is the most appropriate environment to stimulate mental activity (reasoning, memory, creativity). Group allows quick and minimum efforts learning, using specific techniques: role play, simulation, demonstration, group discussions. "

All these functions determine the role the group plays in the organization as by assembling them we can see how different roles are in each group and how they may affect the organizational climate. (Bogathy Zoltan and employees - manual techniques and methods in psychology and organizational work, Iasi Polirom, 2007,p.187)

5. Composition and structure of the group

To present a group means to do so in terms of perception, motivation, organization, interdependencies and interactions in such a way as to highlight the influence of each person or on another.

To capture the dynamics of the experimental group in terms of relations between its members, Moreno's test was used, taken into consideration 28 members of a compartment in a pyramidal organization. In applying the sociometric test (expressed preferences vis-à-vis the provision of training and work teams) out only 25 people participated the subject choice (lists) being the whole team, including those absent.

Of these 22 belong to male and 3 female individuals.

Functional organization of the department assumes the existence of two divisions (offices) one office consisting of 13 members and 2 consisting of 15 members, where members routinely interact and other 5 people who although have the same type of activity, do not carry Current work in the same space with other members.

6. Conclusions

a. The first stage consisted of applying the sociometric questionnaire, containing the following items:

1. "Name out of the group you do business in, three people you think are the best in a professional manner and three you think they are the least trained."
2. "Name out of the group you do business in, three people with whom you prefer forming a team for a very important activity and three people with whom you wish to form such a team."

Responses were valued, the list of preferences and rejections for the two items are the following:

ITEM 1			ITEM 2		
	elections	rejection		elections	rejection
1	6,16,2	15,7,4	1	6,2,21	15,7,4
2	25,27,3	24,12,8	2	6,1	26,28,12
3	16,22,4	1,22,23	3	16,10,11	28,7,12
4	1,3	8,15,18,	4	1,3	5,24,8
5	2,9,27	14,24,12	5	2,27,19	17,28,22
6	21,27,16	18,8,24	6	21,22,2	18,8,24
7	1,15,2	25,24	7	21,6	28,26,5
8	1,2,3	18,23,26,	8	21,20,10	28,15
9	22,21	17,12,26	9	22,21	17
10	3,1,16	24,12,18	10	21,6,25	28,26,7
11	1,27	15,25,13	11	27,22	15,17,28
12	1,4,2	26,25	12	4,5,23	7,26,28
13	1,2,3		13	19,22,21	
14	19,4,3	17,13,24	14	22,19,9	13,17,24
15	3,4	13,5,17	15	19,23,21	5,13,17
16	4,26,3	25,17,24	16	27,4,19	7,28,5
17	1,4,2		17	7,21,4	
18	1,15,7		18	15,22,27	26,3
19	2,16,22	13,7,17	19	16,22,20	3,7,17
20	2,23,19	17,13,15	20	22,19,11	17,13,7
21	4,19,16	12,8,16	21	19,16	
22	19,6	17,12,15	22	6,2	12,17,26
23	1,15,2		23	7,1	
24	21,25,2		24	16,10,12	
25	16,19,3		25	2,3	17,28,15

b. In the second stage sociometrics were represent valuation responses to both survey constructed in order to items:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
1	*	1		-1		3	-2								-3	2												
2		*	1					-1				-2												-3			2	3
3	-3		*	1						2						3						-2	-1					
4	3		2	*				-3							-2			-1										
5		3			*				2			-1		-3										-2			1	
6						*		-2								1		-3			3			-1			2	
7	3	1					*								2									-1				-3
8	3	2	1					*										-3					-2			-1		
9									*			-2					-3				2	3				-1		
10	2		3							*		-2				1		-1						-3				
11	3										*		-1		-3												2	-2
12	3	1		2								*														-3		-2
13	3	2	1										*															
14			1	2									-2	*			-3			3				-1				
15			3	1	-2								-3		*		-1											
16			1	3												*	-2							-1		2		-3
17	3	1		2													*											
18	3						1								2			*										
19		3					-2						-3			2	-1		*			1						
20		3											-2		-1		-3			1	*		2					
21				3				-2					-3			1		-1		2	*							
22						1						-2			-1		-3			3		*						
23	3	1													2								*					
24		1																			3			*				2
25			1													3				2					*			
Ab/Av		0,34				0,50	1,00		0,50	0,50						0,70			0,56		0,38	0,50			0	0,50	0,57	0,40
Rb/Rv	- 0,33		-	1,00	0,50		0,50	0,50				0,50	0,45	0,33			0,44	0,56				0,50	0,67		0	0,60		0,40
ISP	0,37	0,45	0,37	0,25	-0,04	0,08	0	-0,16	0,04	0,04	0	-0,04	-0,2	-0,04	-0,2	0,29	-0,29	-0,2	0,2	0	0,12	0,08	-0,08	-0,29	0	-0,08	0,16	-0,08

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
1	*	2		-1		3	-2								-3						1							
2		*				2						-1									1					-3		-2
3			*				-2			2	1	-1				3												-3
4	3		1	*	-3			-1																-2				
5		3			*												-3		1			-1					2	-2
6		1				*		-2										-3			3	2	-1					
7					-1	2	*														3					-2		-3
8								*		1					-2					2	3							-3
9									*								-3				2	3						
10						2	-1			*											3				1	-2		-3
11											*				-3		-2					1					3	-1
12				3	2		-3					*											1			-2		-1
13													*						3		1	2						
14									1				-3	*			-2		2			3	-1					
15					-3								-2		*		-1		3		1	2						
16				2	-1		-3									*				1							3	-2
17				1			3										*				2							
18			-2												3			*				2				-3	1	
19			-3				-2									3	-1		*	1		2						
20							-1				1		-2				-3		2	*		3						
21																2				3		*						
22						1						-3					-2		3			*				-1		
23																				2		3	*				1	
24		1																			3			*				2
25						1									-1		-3		3			2			*			-2
Ab/Av	0,43	0,57	1,00	0,50	2,00	0,55	0,33	-	1,00	0,67	0,50	-	-	-	0,33	0,38	-	-	0,43	0,60	0,48	0,44	1,00	-	1,00	-	0,50	0,50
Rb/Rv	-	-	-0,40	-1,00	-0,50	-	-0,50	-0,67	-	-	-	-0,60	-0,43	-	-0,38	-	-0,45	-0,33	-	-	-	-1,00	-	-0,75	-	-0,46	-	-0,45
Isp	0,04	0,17	-0,04	0,08	-0,08	0,25	-0,25	-0,08	0,04	0,08	0,04	-0,13	-0,13	-	-0,08	0,13	-0,38	-0,04	0,38	0,13	0,46	0,42	0,04	-0,13	0,04	-0,25	0,21	-0,38

c. Calculation of first sociometric indices :

Since the number of elections has been limited to 3, within present group there can not be calculated the index for emotional expansiveness. Calculation of preferential status index (PSI) reveals the following structure of the compartment for each of the items applies:

Item 1:

Informal leader (ISP max - 0.45) - subject 2 is preferred not only by the subjects in his group but almost equally by those in group 2. To determine popular subjects those subjects accepted and rejected at medium level, and those very unsuccessful, we calculated the distance between the informal leader and score 0.

Popular subjects (ISP large) -

1,3,4,16 subjects - among them the formal leader of the group, subject 1.

Subjects accepted (ISP min) -

subjects 19,21,27,10,9,6,22 Isolated (ISP0)

7,11,20,25 subjects, the percentage of isolates is 50% in each group
Subjects rejected (ISP neg) -

5,8,12,14,15,17,18,23,26,28 subjects – among subjects rejected the medium level and those highly rejected, there are the females in the group, which denotes group to "homophile".

Item 2:

Informal leader (ISP max - 0.46) - subject 21 is particularly preferred not only by members of the group he is a part of by the other group members, indicating the possibility that he provides cohesion group.

Popular subjects (ISP large) - 22,19,6,27

Subjects accepted (ISP min) -

2,16,20,4,10,1,9,11,23,25 out of them the formal leader is part of group, a subject Isolated (ISP0) - subject 14, who is seconded to the service and is a part of group 2
Subjects rejected (ISP neg) -

3,18,5,8,15,12,13,24,7,26,17,27 and as far as subject 2 is concerned, female subjects are a part of the medium rejected.

Scientific version of calculation and disclosure of psychosocial type preference

categories are presented below:

Item 1			
A-R (gross)	Nr. subject with the same value a difference	Isp	Categories
11	2	0,45	very popular subjects
9	1,3	0,37	
7	16	0,29	
6	4	0,25	
5	19	0,2	
4	27	0,16	popular
3	21	0,12	
2	6,22	0,08	accept
1	9,1	0,04	
0	7,11,20,25	0	isolated
-1	5,12,14,	-0,04	rejected
-2	23,28,26	-0,08	
-4	8	-0,16	rejected on average
-5	13,15,18,	-0,2	
-7	17,24	-0,29	very unsuccessful

Item 2			
A-R (gross)	Nr. subject with the same value a difference	Isp	Categories
11	21	0,46	very popular subjects
10	22	0,42	
9	19	0,38	
6	6	0,25	
5	27	0,21	
4	2	0,17	popular
3	16,2	0,13	
2	4,10	0,08	accept
1	1,9,11,23,25	0,04	
0	14	0	isolated
-1	3,18	-0,04	rejected
-2	5,8,15	-0,08	
-3	12,13,24	-0,13	rejected on average
-6	7,26	-0,25	
-9	17,28	-0,38	very unsuccessful

d. Information obtained on previous steps are, based on sociogram building for the two items (Appendix 1 and Appendix 2). Sociogram construction allows group analysis on the perspective of 3 levels of manifestation.

1. Personal individual level :

At this level in addition to information obtained by calculating the ISP, the number of positive, negative and neutral statues for each item can be counted:

Item 1 Positive status -12 Negative status - 12 Neutral states - 4	As seen half of the compartment, including formal leader, enjoys positive status, in terms of training, but counting negative statues with the neutral ones, involving no preference, we believe that the group is emotionally unbalanced and we deal with conflict all environment.
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Item 2 Positive status - 15 Negative status-12 Neutral states - 1	Regarding the establishment of joint teams for the number of statues positive statues exceeds that of the negative and neutral ones. Also on this level you can see the status of gender from an affective group perspective.
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Item 1

	+	0	-
F	0	0	3
B	12	4	9

A special case presents subject 17, which is the most rejected if both items, getting no choice, totaling seven rejections for item 1 and 9 rejections for item 2.

Item 2

	+	0	-
F	0	0	3
B	15	1	9

2. Interpersonal level

In item 1 case we have three positive and one negative dyads, a small number of choices and rejections, taking into account the large number of members in the group, which eventually cause inconsistency of interpersonal relationships.

In item 2 case we have 4 positive and negative dyads. Regarding present group for item 1, 3 people have acquired the status of "isolated" as a lack of positive or negative choice, which emphasizes emotional indifference tendency to group and 1 from the calculation of ISP. In item 2 case the isolated person also comes from the lack of elections of any kind.

3. Group level

Item 1

In the first case we deal with an informal leader, preferred by the formal leader, the situation is not, anyway, the other way around.

Item 2

The informal leader differs from the one in

Ip item 1 = 0,33 group power is low, dissipated
IpG gr 1 = 0,41 – less power than the large group
IpG gr 2 = 0,16 – very low power

the first item and it is favored by the formal leader and, again, the situation is not mutual. In this item the formal leader's position is de-structured, being in the situation of the accepted ones. I mentioned the situation of females, and subject 17, which although does not reject any of the items, is rejected if self, in both items, especially group 2 members, he is a part of reject both items is rejected if the members of the group 2.

e. Calculation of other sociometric indices

Preferential power index, ie the intensity of preferential attraction force of the group members shows power is distributed within the group:

IpG item 2 = 0,16 - very low power
IpG gr1 = 0,25 - low power
IpGgr 2 = 0,50 - medium to low power

As it can be seen from the lack of sub-group relationships and intra-group power is low or very low.

Stability index reflects preferential interpersonal balance achieved in the group, between group members who enter into mutual relationship.

ISP item 1 = 0,12 the group has a low stability
ISP gr 1 = 0,04 the group isn't stable
ISP gr2 = 0,04

ISP item 2 = 0,16
ISP gr1 = 0,04
ISPgr2 = 0,08

Given the values obtained by calculating the ISP, it can be concluded that the relationship is almost of non-existent group,
Cohesion Item

group members have not established relationships between them.

C item 1 = 0,01
Cgr1 = 0,003
Cgr2 = 0,003

C item 2 = 0,013
Cgr1 = 0,003
Cgr2 = 0,006

And in terms of group cohesion, the situation has a negative aspect, which can be interpreted as the existence of tensions within the group, which can lead to its collapse. In investigating the nature of organizational

climate reality, regardless of the perspectives and tools, used for its evaluation, it would be utopian to think that all the issues and ways of expression of this "phenomenon" where covered.

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Rational Consumer Behavior and Its Importance for Real and Simulated Business Environment

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Abstract

Whether they operate in a real or simulated business environment, the success of economic activity undertaken by producers/traders depends on understanding the behavior of current and potential customers, by studying the mechanism by which they take consumer decisions under the influence of internal and external factors whose divergence or convergence may affect the quality of their satisfaction.

Orthodox vision on the consumer looked upon as a rational economic agent, often criticized for its limits, has been repeatedly improved, demonstrating the attraction force induced by its validity in the individuals' daily life.

Key words: rationality, rational consumer, demand, efficiency

J.E.L. classification: D11

1. Introduction

The starting point of the traditional approach concerning consumer behavior is represented by the *postulate of rationality*. Thus, considering that goods offered on the market generate utility, by virtue of this postulate it is estimated that, in the consumption act, the person is capable of solving simultaneously two problems, namely: one of decision, with regard to the choice among several consumer goods that can respond to his needs and one of maximizing the satisfaction felt after the undertaken choice, respectively of maximizing the utility. Within this context rational consumer equilibrium is built forward, taking into account, on one hand, the needs he feels at a certain moment, and on the other hand, the budget constraints

imposed both by the prices of those goods, and by the income which is effectively at his disposal.

In a bid to improve the traditional approach concerning the rational consumer behavior and especially to answer the critics related to the boundaries involved by it, new theories have emerged in economic thinking, which rapidly imposed in the field through logic elements, coherence and especially the attraction force induced by the inciting spirit and their applicability in the individuals' daily life, even beyond the sphere of so-called consumption.

2. Theory of "characteristics"

An alternative approach to the traditional one concerning rational consumer behavior is offered by the *new theory of "characteristics"*, starting from the pre-requisite that the utility of an economic good is generated by the characteristics or properties it has within the market. Consequently, the consumer behavior is the result of choosing the maximization of the satisfaction in terms of the quantity of characteristics it has; goods will be differentiated according to the combination of characteristics they have, and the demand for a certain good will be derived from the demand for its characteristics.

A first version of the model of characteristics is elaborated by **Hendrik S. Houthakker**, by introducing a new function of utility which, together with the traditional variables related to the physical quantities of goods that the consumer wants to purchase also contains their qualities, as variables that are separated from the first ones.[1] In fact, Houthakker starts from the idea that a good can be described by two different variables, respectively the physical quantity and its quality. Accordingly, it can be motivated that the goods which possess different

characteristics can be treated as one and the same good, but having a variable quality. Consumers could choose explicitly the quality of a good, and by their choice the determination of its sale price would be possible.

The second version of the model of characteristics, and also the most evolved one, is developed by **Kelvin Lancaster**, by initiating the suggestion of constructing a new demand theory based on the idea according to which "goods possess or give rise to multiple characteristics in fixed proportions and that it is these characteristics, not goods themselves, on which the consumer's preferences are exercised"[2]. Accordingly, a good will have more than one characteristic, and some characteristics will be able to be shared by several goods.

The relation between goods and their corresponding characteristics is resumed in a *matrix of consumption technology* - as Lancaster denominates the assembly of all consumption possibilities[3] - by which the consumer will target the utility maximization of the characteristics acquired under certain budget restraint conditions, graphically presented with the help of *consumption efficiency frontier*, which replaces the budget restraint from the traditional model.

In principle, the hypotheses from which Lancaster starts in the construction of his variation concerning the consumer's theory can be presented by a synthetic manner as follows. Firstly, the characteristics represent objective and intrinsic properties of consumption activities. Secondly, doubling the production of goods involves doubling the characteristics – which supposes a linear homogeneity. Thirdly, the characteristics possessed by goods or by their combination can be presented under the form of some vectors of characteristics arranged by the consumers. Fourthly, not the goods themselves, but their characteristics generate utility. Not lastly, a combination among several goods can possess characteristics which are different to those which belong to one of the respective goods treated separately. Accordingly, the psychological effects, such as the consumer's relative interest in different characteristics, can be assumed to be felt in the preferential ordering manner of the vectors of characteristics and

not in the relation between goods and characteristics.

The problem of maximizing the utility, as presented by Lancaster, is similar to the traditional analysis. As a matter of fact, if the number of goods and of the characteristics are equal, the traditional approach and the method suggested by Lancaster only lead to the retrieval of the same solution. But in all the other cases, important differences appear. On one hand, the maximization of utility can be obtained by using some non-linear programming techniques, unlike the simple method of optimization used in the traditional model. On the other hand, a sole consumer cannot be considered as representative, so that the aggregated behavior of the bearers of demand within the market is able to be determined by the multiplication of the representative consumer's demand with the number of present consumers. Consequently, in deriving the aggregated demand for a certain good both the distribution of preferences for its characteristics, and the distribution of consumers' income must be considered.

From the theoretical point of view, this approach offers certain advantages, such as the more concrete explanation of the fact that a consumer can be indifferent between two goods which, although they seem quite different, can be approached as possessing similar sets of characteristics. Moreover, the lancasterian hypothesis concerning consumer behavior allows the explanation of introducing some new products or the disappearance of some old ones, and also the motivation of distinction in consumption between the commutable goods (which have the same characteristics) and complementary (which are used together in the production of the same characteristic).

Lancaster's theory served as a starting point for research activity and from other fields through which the explanation of consumer behavior was tried, and also the researches in the marketing field, which regarded the understanding of consumer's loyalty for certain brands of products.[4] Thus, his model explains the role played by prices in determining the demand for the products that differentiate among each other by the way of combining different characteristics, fact which allows the effectuation of an analysis with regard to the

optimum product variety[5], and also the estimation of demand sensitivity towards the modifications produced in the relative price of a certain brand. Loyalty towards a certain brand will be able to be explained, in this context, by the fact that it provides to the consumer the exact combination of characteristics that maximizes its utility.

Because of the fact that Lancaster's model concerning consumer behavior is however based on the hypothesis of infinite divisibility of economic goods, this can not be applied, for example, in the case of purchasing goods of long-term use, impossible to divide. Starting from this lack of Lancaster's theory, **Sherwin Rosen** constructed a model in which he defines the utility function in terms of prices and quantities of characteristics which define the goods.[6] As a matter of fact, the same as the lancasterian model, the one advanced by Rosen implies a consumption efficiency frontier, defined by the combinations of characteristics available for a certain given level of expenses, and also the choice of the combination which will allow him the maximization of utility by the consumer.

Other critics to the hypotheses from which Lancaster starts in elaborating his theory were formulated with regard to: positive marginal utility of each characteristic; the independence of utility towards the distribution of characteristics among goods; the linear character of consumption technology[7].

Thus, it was shown that, in the situation of infringing the first hypothesis, judging the efficiency of consumer's choice without knowing his preferences, becomes impossible. If the marginal utility of a characteristic was negative, as, for example, in the case of nicotine in cigarettes, the indifference curves would imply a slope upward to the right.

Also, if the second hypothesis is violated, Lancaster's analysis is not available any more and each point from the space of the characteristics will no longer represent a unique level of utility, but only two or more levels, each of these being relevant for a different distribution of characteristics among goods. Moreover, in order to evaluate the efficiency of consumer's choice, the relation between its utility and the way of distributing

the consumed characteristics among the acquired goods must be known.

In relation to the hypothesis of the linear character of consumption technology, if this is not verified, it is impossible to judge the efficiency of the consumer's choice without knowing in detail the respective technology.

Not lastly, the most invoked objection to Lancaster's theory regards the generation of utility as being influenced rather by the services brought to the consumer by the acquired good, so that this would finally be dependent on the characteristics of the good (such services may be: food, shelter, social status etc.).[8] The consumer himself will determine the services brought by the acquired good, while the producer cannot control them, the latter having the possibility of acting only on the characteristics of the offered good, and by their variation influence directly the services obtained after the consumption.

But without reference to the controversial hypotheses of the lancasterian theory, **George W. Ladd, Veraphol Suvannunt** and **Martin Zober** developed a similar variant of it, starting from two hypotheses: on one hand, the function of consumer demand for a certain good is affected by the characteristics of the respective good, and on the other hand, for each consumed good, the price paid by the consumer is equal to the sum of implicit marginal monetary values of the characteristics of the respective good, where the marginal monetary value of each characteristic is obtained by multiplying the characteristic quantity obtained from the marginal unit of the consumed good with its implicit marginal price.[9] The presented model allows the appearance of a unique characteristic for each good.

A variant of the mentioned theory excludes the term of unique characteristic, starting from the hypothesis that all the relevant characteristics are commune to consumed goods, a useful model especially in the case of demand analysis for a group of goods like food products.[10]

3. Theory of "household production"

One of the critics brought to the traditional theory concerning consumer behavior is represented by the approach of his preferences and tastes as exogenous,

stable variables, on which it is not insisted in explaining human behavior in consumption, the economists leaving the explanation of formation and evolution way to sociologists. The modification of people's tastes and preferences however begins to gain more and more importance, as a consequence of the fact that the explanation of demand variation only to the influence exercised by the modification of prices and income, in many cases, is inconclusive, often being necessary to appeal to psychological explanations, to assumptions concerning the modification of tastes and preferences, approach which transcends the perimeter of economic science.

Moreover, the traditional approach of consumer behavior cannot be applied to the analysis of the way in which non-merchandise choices are made, such as: decisions concerning the choice of a religion, of life partner, of the dimension of family or even of the lifestyle – situations in which the individual-consumer can not proceed to quantifications and comparisons by the agency of prices, in the monetary expression.

In this context, which mark an irreversible rupture related to the traditional approach concerning consumer economy are undertaken, by initiating the hypothesis according to which consumption is not a final act, but a mediate one, the consumer – individually and especially the household – being also a “producer” of his own satisfactions, by using, to this effect, as “inputs” - goods and services bought from the market, and also another rare resource - free time. Thus, consumer's demand for market goods and services appears under the form of a derived demand similar to the derived demand of a company for any production factor.

Similar to any rational economic agent, the consumer exercises this function of “household” production daily, by making a multitude of decisions concerning the allotment of the available resources by which he tries to obtain the optimal combination, respectively the one which, taking account of the relative prices of the “inputs” he uses in his household activity - including the value he allows to his time - allows him to obtain the highest level of satisfaction. In this new approach, the explanation of consumer behavior assumes the identification and

measurement of the relative importance of the factors that enter in the decision-making process.

The introduction of *time* in the analysis of individual's activity represents the key-element of a new theory, for at least three main reasons.[11]

Firstly, time factor allows the explanation of apparent irrational passion for amassing goods, so that the value of this rare resource is provided by its opportunity cost, respectively by salary income sacrificed on the consumed time unit. Accordingly, at the consumer-producer level, the increase of time value produces a substitution effect, based on which the consumer is incited to become more economical with his own time, so that, in order to maximize his global utility volume, he will look for satisfying his needs by appealing to means that need less time. This way the development of fast transport, mail and communication, home sanitary assistance can be explained. As a matter of fact, in nowadays society, characterized by the increase of tertiary sector importance, consumers accumulate more and more goods, whose price decreases in proportion to the price of time, reaching to use an increased quantity of goods per time unit. In conclusion, time becomes more and more valuable in proportion as goods become more abundant.

Secondly, the introduction of time in the analysis of consumer behavior offers a new vision on the modification in time of shopping and consumption ways, bringing forward the hypothesis of the stability of preferences. Traditionally it is considered that the mutations produced in consumption ways purely and simply accrue from the appearance of new needs, that the producers endeavor to satisfy, but without being possible to explain the dynamics of their formation, fact which allows the development of theses concerning consumers' manipulation by means of publicity and artificial creation of false needs. In order to confute them, it is sufficient to accept that the only element which evolves is the price of time.

Besides, the continuous increase of the price of time is the one which places the consumer in a situation similar to that of the producer situated in the permanent essay of modifying the relative prices of production

factors, proceeding to their various combinations. In the same manner, the consumer, in order to satisfy the same preferences, has to substitute new shopping against the old ones, based on the reasoning according to which the new acquired products, considering the new value of time factor, will be more efficient for satisfying his needs at the lowest possible cost. What changes, as a matter of fact, is not the structure of consumer's needs, but their satisfying way, as Lancaster estimated.

In this connection, behavior differences among different economic agents do not reflect different tastes, but they will be the result of different productive efficiencies which lead to the satisfaction of the same demands with the help of some distinct techniques, in which these specialize depending on personal abilities.

Not lastly, time factor allows us to identify the consumer's freedom of action within the market with each individual's freedom concerning the choice of those consumption combinations which allow him to obtain the highest satisfaction volume possible, within the limit of the restrictions imposed by the volume and structure of available resources.

The introduction of time factor in the function of household production allows **Gary S. Becker** - the first representative of this new thinking current - to transform the consumption theory from a barren area of economy in one of the most attractive areas, starting from an economic reasoning, as simple as convincing from the analytical point of view and with almost unlimited practical advantages.

Resumed by a simplistic manner, the utility function of household submitted by Becker is the following[12]:

$$U = f(x, t, M),$$

in which:

U – represents the utility, the satisfaction felt by household;

x – the assembly of consumption goods and services acquired from the market;

t – time at the disposal of household;

M – the assembly of factors representing the environment in which the household develops its activity.

This new approach of utility function serves Becker to the formulation of some explanations concerning some tendencies put

forth in modern consumption, but especially to the extension of the applicability of consumer's new theory and to activities outside the economic sphere, as family and fertility. Further, it becomes impossible to generalize the economic approach to the assembly of activities and social relations, both those with freight character (a regular act of sales), but also those with non-freight character (charity or public activities), Becker managing to prove the fact that rational arbitrations any individual makes economically, in the search of obtaining the maximum advantage, can be extended to the dimensions of human activity. Consequently, the economic approach becomes applicable to the entire human behavior, whether a behavior which implies prices in monetary terms or assigned shadow prices, repeated or rare decisions, important or minor decisions, emotional or mechanical purposes, rich or poor persons, men or women, intelligent or ignorant persons, patients or doctors, businessmen or politicians, teachers or students.

Although his approach is sometimes estimated as a too general one for covering the delicacy of many factors which affect human behavior, Becker has the merit of comprising, for the first time, in a formal analytic framework those abstract and incommensurable factors, but unanimously considered as being extremely important.

4. Conclusions

Regardless of approaching the consumer as a rational or irrational human being, the economic theories wove around offer different explanations, sometimes contradictory, on his behavior principally within the market and subsidiary in other action environments (social, familiar), which allow the construction of an image with regard to the way in which he can satisfy his needs under the influence of various endogenous and exogenous factors that influence consumption.

Like this, analyzed in dynamics, quantitative, qualitative and structural, the consumption looks different from one period of time to another, mutations explained by the concerted action of various psychological, economical, geographical, demographic, technical, social, political etc.

factors, which, either modify indirectly the balance between price and income, or operate directly on consumers' tastes, preferences and demands. All these factors, considered separately, exercise a distinct influence, whose sense and direction are frequently divergent.

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Irrational Consumer Behavior and Its Importance for Real and Simulated Business Environment

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Abstract

Whether they operate in real or simulated business environment, the success of economic activity undertaken by producers/traders depends on understanding the behavior of current and potential customers, by studying the mechanism by which they take consumer decisions under the influence of internal and external factors whose divergence or convergence may affect the quality of their satisfaction.

The heterodox theoretical systems of consumer behavior born out of the desideratum of emphasizing the limits of traditional approach and of offering alternative considerations, especially by embracing the belief on manifestation of an irrational behavior of the consumer.

From this perspective, the consumer, especially in modern society, is exposed to challenges in front of which, due to the production rhythm and their complexity, he becomes vulnerable, and finding a solution for assuring his proper protection is imposed.

Key words: irrationality, irrational consumer, consumption, demand

J.E.L. classification: D11

1. Introduction

Both the traditional approach, and the new theories regarding consumer behavior start from the supposition according to which human nature is elementarily homogeneous in behavior and that this behavior is dominated by the principle of rationality. Although it enjoyed an extended recognition among the economists, especially from the theoretical point of view, this image of the individual regarded as *homo oeconomicus* was not divested of the attacks from those who mistrusted its practical validity.

Thus, its opponents - starting from the hypothesis of the impossibility of predicting and understanding human behavior beyond man's habitual way of thinking and the institutional field in which it activates – support that individuals tend to change their preferences, they do not take into account the transitivity principle in their choices and especially they are not computers in order to be able to process with the speed of light all the relevant information for their ulterior decisions. The hypothesis of deliberative hedonistic calculations being rejected, the idea according to which human behavior in general and consumer behavior in particular would be the result of and instable and irrational complex of actions, impulses, instincts, habits etc., pushes through.

2. Main theories supporting irrational consumer behavior

The main objections brought to the theory referring to individuals' rational choices regard the influence exercised on their behavior by the social environment in which they develop their activity and from which they cannot be excluded by their isolation in space, in order to allow them to become immune from any pressure exercised from the outside.

One of the most fervent supporters of this idea, **Thorstein Veblen**, constructs his theory starting from a critical analysis of capitalist society from the end of last century, dominated by the existence of "predator class", respectively the capitalists, whose income was gained from the property held on the resources, and not from work, reason for which he names them "leisure class". "Leisure" concept, in the sense used by Veblen, does not connote indolence or quiescence, but it refers to non-productive consumption of time from a sense of the unworthiness of productive work, and

especially as an evidence of pecuniary ability to afford a life of idleness.[1]

The members of this class, retired from the production scene and whose success is less obvious, eager for affirmation and recognition, are under the necessity of finding a different modality in order to incite the admiration of those around them, to which effect they appeal to "*conspicuous consumption*". Thus, the more useless is a certain good, the more it is valorized as an article that can be wasted for show, in order to allow the distinction from the richest social classes, based on the envy generated by the measure in which this affords the waste of its own financial resources, and the tendency of the rest of the population to imitate this consumption. "Pecuniary culture", as denominated by Veblen, is based on "the emulation of consumption" at an extended scale, the imitation becoming the standard by the agency of which common people feed their self esteem, simultaneously with the improvement of social status. In this interpretation, consumers engage in a competition whose purpose is to position the individual at a superior level on the consumption distribution scale for a certain good.[2]

Next to Veblen, another major attack on "the orthodox theory" of rational consumer behavior is initiated by **James S. Duesenberry**, who transposes in macroeconomic plan the hypothesis of the influence of social environment on the individuals' decisions, proceeding to a reformulation of saving theory, as a counter-share to the keynesist approach on the function of consumption. The main thesis of his theory consists in the fact that generally the current consumption is significantly determined by the relation between the current income and the highest past income. The conclusion reached by Duesenberry regards the fact that, as long as the unequal distribution of incomes persists, the increase of income and consumption not only will not stop, but it will not moderate the competition among consumers, and the increase of expenses will continue.[3]

According to the "demonstration effect" (reasoning found also in Veblen's approach with regard to "conspicuous consumption") and to the hypothesis of relative income introduced by Duesenberry, if the rich ones

get richer and richer in proportion to the poor ones, then the latter will feel even poorer, even if their real income increases, so that, no matter how much they consume or gain, they will not be happier in relation to other people's welfare.

From the perspective of demand theory, these hypotheses would allow the explanation of "non-additive" characteristic of individual curves of consumers demand[4], considered by **Harry Leibenstein** as "non-functional" from the point of view of their motivation. Unlike "functional" demand, respectively that part of demand for a certain economic good due to the inherent qualities of the good itself, "non-functional" demand represents that part of demand due to other factors. On its turn, this "non-functional" demand is due to external effects on utility, respectively: the "bandwagon" effect, "snob" effect and "Veblen" effect.[5]

In its simplest form, the "*bandwagon*" effect comes to the fore when an individual will ask more or less of a good at a certain price, as a consequence of the fact that certain individuals within the market, to which it relates generally or at a certain moment, require on their turn, more or less of the respective good. This effect is the result of people's demand of imitating the consumption of those with whom they want to be associated, of being considered "in fashion" or of proving their affiliation to a certain social group.

The effect that is symmetrical to the "bandwagon" one, but to the contrary, is represented by the "*snob*" effect, assuming an evolution of demand which is contrary to that of the market, so that an individual will require more or less of a certain good at a certain price, as the market demand for the respective good is lower, respectively higher. In this case, we deal with people's demand of being exclusive, unique in their way, in order to "stand out in the crowd".

To these two effects "*Veblen*" effect of "*conspicuous consumption*" is added, characterized by the fact that consumer demand for a specific good is all the greater as its price is higher, so that the price of a good can be divided into two components, respectively: real price of the good, expressed by the actual payment the consumer bears for acquiring it, and the ostentatious price, namely the price estimated by the consumer

as being considered by the others as the price paid by him for that good. However, the distinction between this effect and the snob one must be made, so that the first one is a function of price, and the last one is a function of the consumption of others.

Starting from the external mentioned effects which determine the individual demand, **Richard A. Easterlin** dares to challenge the idea according to which the increase of income and consumption improve human condition. The paradox identified by him, also denominated as "Easterlin's paradox", is a consequence of the fact that, in any given country, at any given time, rich people are happier than poor people, but in spite of that, in proportion as they get richer, rich people do not become happier. The solution of this paradox consists in the approaching manner of happiness, which would not be dependent on what each individual consumes separately, but on what each one consumes in comparison with others, so that, although the consumption increases in absolute value, as long as it does not happen the same with its relative value, the individuals are nowhere near being happier.[6]

All these consumer behaviors can be appreciated as irrational only in terms of the fact that they represent a derivation from the hypothesis according to which, in allotting his limited budget, in order to maximize his individual utility function, each individual reacts independently to market prices, without letting himself affected by the behavior of the other participants on market.

Accepting the fact that consumer's choices and preferences are influenced not only by his own tastes, but also by those of other consumers with whom he comes in direct contact, therefore assumes the infringement of the hypothesis of consumer's rationality. This derivation has its origin in the belief that people live in a world of permanent interconnectivity, where information is shared, recommendations are made, and social acceptance is extremely important. To this effect, the main sources of influence of social nature on the individuals' consumption behavior are considered as coming from the social groups in which they integrate[7] and can be divided into three categories, respectively: internalization, identification and conformance.

Internalization is produced when people adopt their fellow humans' behavior, assessing that inherently leads to the maximization of own satisfaction. In other words, people are willing to learn from each other because they assess that this would help them in adopting a better decision, which optimizes the results. *Identification* is produced when fellow humans' behavior is adopted because this is associated with a satisfactory relation of consumer's self-definition in relation to these. Not lastly, *conformation* intervenes when the individual reacts positively to another individual's expectations in order to receive compensation or to avoid a punishment mediated by the latter.[8]

The analysis of consumer behavior from the perspective of his reaction to external stimuli is the study object of marketing researchers who, out of the need to understand and better anticipate his consumption decisions, appeal even to the study of endogenous influence factors, respectively the psychological ones, considered by the supporters of rationality thesis of economic activity as deviations from the application of objective market laws. In fact, psychological elements, such as reasons, attitudes or expectations - represent variables which intervene among the stimuli coming from market conditions and the answers to these under the form of economic decisions. Psychological factors are not exclusively the determiners of the final decision, but, under certain conditions, they become strong enough to alter consumer behavior.

These ideas are rooted in the study of psychological aspects of human behavior, as those undertaken by **Herbert Simon** who suggested replacing the optimization postulate of the decisions adopted by rational individuals with that of *meeting the expectations*.

Simon's entire theory gravitate round the concept of *limited rationality*, constructed by starting from the idea that the choices individuals make are determined not only by reaching a certain goal and the particularities of external world, but also by the knowledge policymakers over the world have or do not have, by their ability or inability of invoking such knowledge when relevant, of anticipating the consequences of their own

actions, of imagining possible action ways in order to cope with uncertainty (including the uncertainty accruing from the possible answers of the other actors) and of juggling among the multitude of their own current needs.[9] Individuals' rationality is limited precisely because these abilities are severely limited not only under cognitive ratio, but also under temporal and informational ratio.[10]

In this situation the consumer is left only to regulate a strategy to meet their own expectations, because even if he cannot attain the suggested goals, he continues to look for, and sometimes even modifies these goals, being content, in real world, with a satisfactory level and not a maximizing one in pursuing them.

Thence, as **George Katona** assesses, at any moment the psychological field of our decisions comprises a part of previous consumption experiences, the perceptions on the present and the expectations relating to the future[11], so that, similar to all human beings, consumers learn to adapt their behavior depending on the changing character of consumption circumstances. Under these conditions, Katona suggests the replacement of the approach of rigidly planned behavior as an expression of a rational behavior with the approach according to which adaptability represents the prototype of an intelligent behavior[12], so that the consumer, in order to be rational, moulds his behavior in the action of satisfying his personal interest depending on the circumstances.

Regarded from the perspective of the influences that can be exercised upon it, consumer behavior can be defined, in a marketing specific approach belonging to **Iacob Cătoiu and Nicolae Teodorescu**, as "the specific resultant of a dynamic relations system between the perception, information, attitude, motivation and effective appearance processes, which characterize the integration of the group or individual in the space described by the assembly of consumer goods and services existent at a certain moment in the society, by individual or group decisional actions in reference to these".[13] The enunciated definition covers the effects impressed on consumer behavior both by exogenous variables, which act outside

human being, and by endogenous ones, related to human mentality.

Given this complex of previously presented situation, we consider as profoundly grounded and representative for the analysis undertaken by us **Ruth P. Mack's** assertion, according to which consumer demand represents a function of what he is, what he possesses, recent history of his shopping, what others possess or buy, what they expect, what they hope for, the habits which he formed, so that, in present society, consumption dynamics is co-extensive in proportion to personality dynamics.[14]

However, in the widest acceptance the rational character of consumer behavior does not necessarily regard the exclusive elimination of external influences, so that the decision-making be done absolutely independently, but it refers to those considered in a mental economic plan before being effectively adopted, by which the maximization of predefined satisfaction function is intended (respectively a utility function to the consumer and a profit one to the producer). Accordingly, any decision made by virtue of the spur of the moment, without assuming the march of a period of time between the deliberation moment and that of execution or any action undertaken by virtue of inertness, of the habitualness impressed by the formation of certain consumption skills in time, could be catalogued as irrational.

But even under these conditions in which they are not rational in their effort, consumers can be treated as being thus. This hypothesis, developed by **Gary S. Becker**, starts from the pre-requisite according to which the eventual behavior mistakes or errors can be entered into the calculation on the basis of a probability mechanism by which it is assumed that any opportunity has an equal chance of being chosen, so that the consumer will be "forced" by the modifications produced in the distribution manner of the respective opportunities to respond rationally.[15] For example, consumer behavior acting on the spur of the moment will tend to be characterized by decreasing demand curves, because an increase of the price of a certain good will determine the change of opportunities in favor of another good, thus existing less

chances of buying a more expensive good even only on the spur of the moment.

Likewise, **Milton Friedman and Leonard J. Savage** proved the fact that even an important class of reactions of individuals towards risk can be rationalized by means of a simple extension of the principle of utility maximization, starting from the idea according to which, standing in the situation of having to choose between several alternatives which differ, among others, from the point of view of the risk involved (the best example to this effect being gambling), the consumer behaves as if he attributed some common quantitative characteristic – designated utility – to various goods and then selected the combination of goods that yielded the largest amount of this common characteristic.[16] Consequently, when he has to choose between several alternatives which do not imply a specific risk, the consumer will choose the one which will assure him the highest utility, and when he has to choose between alternatives which assume a certain degree of risk, he will choose the one for which the expected utility is the highest.

Starting also from the restraint imposed by risk and uncertainty **Armen A. Alchian** constructs his theory intended for "saving" the appearances of the principle of necessary rationality by replacing it with the methodological principle "AS IF".[17] By virtue of the respective theory, being surrounded by the unknown quantities and concerns that are present in the environment in which he must actuate, the economic agent finds his support in the market forces themselves, which come to operate a "natural" selection of the participants, validating, in order to remain active, only those who, although they do not know effectively the principle of rationality and its marginal way of calculation, however behave as if they knew everything of almost everything about it. Consequently, by exposing themselves to the competitive environment of the market, economic agents, and implicitly the consumers, are guided by rational actions, as if they knew them.

Moreover, the principle of rationality, interpreted from the perspective of satisfaction within the limit of budget restraint and present capital stock, can be considered as generally applicable to any

action undertaken by the consumer, even without imposing the classic condition of "tastes remaining the same". What **George J. Stigler** actually sustains together with **Gary S. Becker** consists in the fact that, in relation to the choices consumers have to make, "*de gustibus non est disputandum*" or, in other words, "there is no arguing about tastes"[18]. The two economists do not nearly state that individuals' tastes would not exist at all or that those would be identical for all consumers, but, on the contrary, differences in taste do exist, whether across time or across individuals, but, in spite of that, the economic analysis can generate empirically verifiable theories explaining human behavior that do not depend in individuality that has its genesis outside the economic model.

The offered solution is the endogenization of tastes by translating them in variables of the production function of a household, together with the other restraints (budget, time) to which it is submitted, approach which presents the advantage of allowing the explanation of any change in consumer behavior only in terms of the modifications intervened in the level of prices and incomes. Regarded from this perspective, human behaviors widely accepted as inconsistent in proportion to the stability hypothesis of tastes, such as dependency (of alcohol, tobacco, heroine etc.), habits, fashion or advertising, do not affect the tastes themselves, but the prices and incomes, being submitted, on their turn, for example, to the restraints imposed by the theorem referring to negatively inclined demand curves, and also other concurrent hypotheses.

Although criticized for the fact that, once specified the preferences and restraints of the production function of a household, consumer's place could be taken by a computer which should initiate the effectuation of all necessary choices, thus leading to the elimination of any possibility of appealing to individual's "free will"[19], the economic model developed by the two economists actually manages to partially relax some of the usual constraints to which the consumer is exposed and to offer, on the contrary, more degrees of individual freedom.

3. Conclusions

Regardless of approaching the consumer as a rational or irrational human being, the economic theories wove around him offer different explanations, sometimes contradictory, on his behavior principally within the market and subsidiary in other action environments (social, familiar), which allow the construction of an image with regard to the way in which he can satisfy his needs under the influence of various endogenous and exogenous factors that influence consumption.

Like this, analyzed in dynamics, quantitative, qualitative and structural, the consumption looks different from one period of time to another, mutations explained by the concerted action of various psychological, economical, geographical, demographic, technical, social, political etc. factors, which, either modify indirectly the balance between price and income, or operate directly on consumers' tastes, preferences and demands. All these factors, considered separately, exercise a distinct influence, whose sense and direction are frequently divergent. The resultant of their action however discloses a series of tendencies and correlations generally valid in practice, namely: according as price-income balance allows an increase of consumer's living standard, the share of food expenses have a decreasing tendency, against their increase in absolute value and the structural-qualitative improvement of food products offered on the market; concurrently, the share of clothes and personal comfort expenses is maintained relatively constant; in exchange, an increase of the share of service consumption and durable goods takes place.

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The Equality of Chances in the European Union and in Romania during the Crisis

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Abstract

The crisis have left their mark on the equality of chances at European and National level. The equality of chances between man and women represent a fundamental right, a common value of the European Union and essential condition for the achievement of the EU objectives. The access of health, culture and information should be non – discriminatory too.

Key words: crisis, equality of chances, disabilities, discrimination, equity.

J.E.L. classification: O15

1. Introduction

The recent major changes, amplified by the present crisis have left their mark on the equality of chances at national level and at European and international level as well. The key objectives and the directives of the European Union for 2020 prove that these should answer the fundamental priorities of Romania in order to correct the weak points of our country as they are perceived by the European Union.

2. The equality of chances between men and women during Crisis

During Crisis, the equality of chances between men and women represent a fundamental right, a common value of the European Union and an essential condition for the achievement of the EU objectives: the economic growth, the rate of employment

and the social cohesion. Even if the inequalities still exist, in the last decades the EU has made significant progress regarding the equality between men and women, the legislation concerning the matter, the integration of the gender equality dimension and the specific measures in favour of promoting the women in important positions. These aspects focus upon the rate of employment, the job equality, the maternity protection, the maternity leave, the social insurance and professional leave, the social security etc.

Thus, the equality between men and women on the labour market has had a crucial significance in the community space placing the problematics of the equality of chances at the core of the European Strategy for Recruitment.

An equal treatment is necessary regardless of:

- age
- ethnic origin
- religion and faith
- disabilities

The legislation in force is meant to ensure the equality of treatment with respect to many aspects related to daily life and its implications at work covering educational problems, medical assistance and access to goods and services.

Disabled people have equal rights and the right to dignity, equality of treatment and complete integration into society. Making sure that the disabled people will benefit from these rights is the main aim actively included in the EU long term strategy. The European Commission wishes to see the improvement of the employment perspectives,

the raise of the degree of accessibility and independent life.

The EU promotes the active inclusion and full participation of the disabled people into society in accordance with the European approach to human rights regarding the handicap problems.

The European Social Fund (ESF) is an important financing resource for the activities destined to the development of the rate of employment and the development of human resources. This fund is used in addition to the policies introduced to achieve the objective of promoting the employment opportunities for all the citizens belonging to an inclusive society.

The main aim of the ESF is to support the measures which prevent and fight against unemployment, which contribute to the development of human resources and foresee the social integration on the labour market in order to promote a high rate of employment, the equality of chances between men and women, constant development and economic and social cohesion.

3. The evolution of the equality of chances principles

In the early antiquity, women held a privileged position within society as we find out from Herodotus or Plutarch who used to envisage the women's rights. With the growing number of wars the woman's role was restricted mainly to household activities.

The victories on the battlefield have brought important economic advantages, an intensification of the commercial exchanges and an unprecedented cultural effervescence conferring a privileged position to man. This situation has become the common law and has been transposed in different normative acts on the basis of the principle according to which long practice becomes the norm.

Thus, the Roman law mentions "pater familias" (the head of the family) who exerts his influence upon all the persons (wife, children, grandchildren) and goods in a family. At first, the Roman marriage meant the woman's submission to man's power with her dowry and all her other assets being taken over by her husband. Once they were married, the woman was lawfully considered the daughter of pater familias, an aspect with consequences upon the inheritance rights. Only when the man died,

his wife and children had the right to emancipation acquiring full legal rights and being able to sign legal papers in their name. The law has also induced the idea of inequity assigning the right to ascend to the throne only to the male descendents. Later, the feminist activism began to spread and the French revolution laid the foundation for the recognition of the individual rights and the principle of equality among individuals. In 1908 the first Woman's Day was organized and it was accompanied by large manifestations asking for the recognition of the women's economic and political rights.

One of the protagonists of the emancipation movement, the American sociologist Lena Lewis declared that there was no reason to celebrate, it was in fact the moment announcing the fights to come. In Romania, the Elective Law of 1918 gave the women the right to vote for the first time and its provisions were later included in the Constitution in 1923. On a worldwide scale, the last Conference dedicated to the women's problems took place in 1995 in Beijing under aegis of ONU. The main objectives included in the final document of the fourth Conference have been included by our country in a National Plan of Action and tackle the following problematics: the creation and development of certain mechanisms meant to coordinate the policies of promoting the woman; the improvement of the economic situation of women through non-discriminatory access on the labour market; the prevention and rebutment of the violent manifestations against women and children; the establishment of the principle of equality between men and women in all

domains; the coherent and substantial contribution of women to the decisional process. The measures promoting the women's rights have been applied by means of the normative act bringing under regulation the equality of chances between men and women. This is Law no. 202/2002 which stipulates the modification of the penal code introducing the infringement of sexual harassment and aggravating variants of already stipulated infringements, physical injury and any other kind of injuries. The stipulations of this law are meant to discourage the phenomenon of domestic violence.

According to Law no. 202/2002, in the domain of the working relationships the employers have the obligation of mentioning the equality of chances and treatment between the employees in their Rules of

Procedure. Getting a job should not be conditioned by a maternity test with the exception of those activities necessitating special working conditions. Sexual harassment is a frequently encountered problem and this is the reason why punishing this kind of behaviour is notable. The victim of the harassment can formulate intimations and complaints addressed to the employer or against the employer if this is involved.

Being in this situation, the employee will benefit from assistance from the part of the syndicate and if there is no syndicate, from the representatives of the employees. If the initial mediation within the firm was not in the fair way of doing it, the respective person will apprise the law court in order to have his/her complaint settled. Such a complaint can not be the reason to change the individual labour contract or to fire the respective person due to his/her inadequate behaviour. According to article no.13 from Law no.201/2002, at the negotiation of the collective labour contract at the national level or at the firm level, the parties involved (the employers and the syndicates) will include clauses of non-discrimination. In the educational field, the women have the same rights as men regarding the access to all levels of instruction, professional training and development.

4. The equality of chances in UE and Romania

The equality between men and women is one of the fundamental values of the European Union. Its history starts as early as 1957 when the principle of equal payment was incorporated into the Treaty of Rome.

The accomplishments of the European Union regarding the support of the equality between men and women have contributed to the change of the lives of many European citizens.

Even if there are still some inequalities, the European Union has made significant progress in the last decades. The main factors contributing to this progress are: the legislation regarding the equal treatment; the integrating approach to gender equality (the integration of the gender perspective into all the other policies); the specific measures used to promote women.

Among the encouraging tendencies we can mention the raise of the number of women on the labour market and their contribution to ensuring a high standard of education and training.

Nevertheless, the gender differences are still present and on the labour market the number of women is usually higher in the case of low paid jobs and lower in the case of managerial positions.

The strategy concerning the equality between men and women represents the working agenda of the European Commission regarding the gender equality for the interval 2010-2015. This strategy ensures the general framework the Commission needs in order to promote the gender equality as part of its policies. It also establishes the following thematic priorities:

- the equal economic independence for men and women;
- equal payment for equal type of work;
- decisional equality;
- dignity, integrity and the eradication of violence on gender criteria;
- the promotion of gender equality beyond the EU borders;
- equality aspects regarding gender roles, legislation and government instruments).

The equality of chances and non-discrimination represent key elements of society under the present circumstances on a community level and at an international scale.

The equality between men and women is a fundamental right, a common value of the European Union and of Romania and an essential condition for the achievement of the European and national objectives: the economic growth, the rate of employment and the social cohesion. The legislation has a major role in the case of non-discrimination and the integration of the gender equality. Measures are taken with respect to the rate of employment, equality of payment, maternity protection and maternity leave as well as social insurance, social security and the assessment task in the cases of discrimination and self-employment.

The financial remuneration could contribute essentially to increasing work performance and maintaining personnel but **for many people, the most important aspect regarding the payment system is represented by equity** [1]. Research studies have shown that satisfaction at work determined by payment is highly influenced by the employees' feeling of fair payment in comparison with other persons working inside or outside the organisation.

By means of equity payment the employees benefit from a fair treatment regarding the correlation between wages and work.

The equity of payment presupposes a number of conditions [2]:

1. **The internal job equity** which includes the means of payment for the employees having different positions in the same organization;

2. **The individual internal equity** which includes the means of payment of the employees having similar positions in the firm;

3. **The external equity** which represents the means of payment of a firm's own employees in comparison with the employees in other organizations in the case of similar positions.

A fair payment system is based on very important decisions concerning the following domains: the type of rewards, the payment level and the administration of the payment system.

In a competitive economy, every enterprise conceives its payment system in a particular manner respecting the minimum wages and the following principle [3]: "Equal work, equal payment" - a principle mentioned in the Universal Declaration of the Human Rights.

The present Romanian context enhances the fact that the discrimination problem on sexual criteria is still a challenge for the society as a whole with a series of visible differences regarding the access, participation and involvement of men and women in the social, political, economic and cultural life on the labour market.

The access to health, culture and information should be non-discriminatory too. As far as the participation of women to the process of making decisions is concerned, the law rather evasively stipulates the obligation of the local and central public authorities to arrive at a balanced and equitable representation of men and women. The lack of punishments and of an authority to monitor the presence of women in the process of making decisions devoid the legal obligation of any content and transform it into a simple recommendation. More than ten institutions or authorities apply the law regarding the equality of chances. In order to rectify this deficiency, the government founded the National Agency for the Equality of Chances on 1st January 2004.

The National Agency for the Equality of Chances has developed the National Strategy for the equality of chances between men and women in the interval 2010-2012 [4].

The activity of the agency as part of the central public administration under the subordination of the Ministry of Labour, Family and Social Protection is meant to promote the policies of the equality of chances between men and women at all the levels of social, political, economic and cultural life and to introduce the gender perspective upon the national policies and programs [5].

The national legislation stipulates the equality among its citizens, regardless of their gender and does not contain discriminatory norms.

The problematics of the inequalities between men and women has become evident in all areas of social, political, economic and cultural life and has also become one of the main issues on the social and political agenda at the community and international level. Due to the fact that the gender disparities are present at the national level as well, the Romanian Government aimed at answering to this challenge by establishing a set of priorities meant to facilitate the equality between men and women.

A brief analysis of the situation of the gender equality in Romania leads to the identification of a series of weak points and threats.

Thus, among the weak points we can mention the following:

- the low degree of awareness regarding the equality policies inside the public administration and mass-media;
- the lack of coherent stipulations concerning the settlement of complaints and charges regarding gender discrimination.

As threats we can mention:

- the crisis;
- the dynamics of the labour market;
- the incondite promotion of the social campaigns in mass-media;
- the communication deficiencies between the public institutions and the civil society and the social partners.

The inhabitants of the rural area represent a social category with a high degree of vulnerability, most of them without a job and earning their living from agriculture. The majority of the children, adolescents and youngsters in the rural area work together with their parents in their own household or in the field otherwise having low chances of going to college or university.

Even if a high percentage of the total number of students come from the rural area, these students do not have equal

opportunities with those coming from the urban area mainly because of the precarious material facilities, the lack of authorised personnel, isolation and communication difficulties. This aspect represents one of the weak points of each and every county and annually deepens the inequality of chances between the rural and the urban areas especially because of the lack of training programs for an entire population living on sustenance agriculture and government assistance.

5. Conclusion

We can affirm that the principle of the equality of chances between men and women has acquired recognition throughout time together with the other principles and rights regarding the regulation of the human rights at both the international level and the community and national level. Under the circumstances, the Romanian legislation regulates and at the same time guarantees the equality of all persons in front of the law and the equality concerning job opportunities, promotion, education, continuous training, social protection and clear access to all levels of economic, political and social life.

The insecure organizational media are specific to the crisis and presuppose the use of new instruments ensuring a raise of effectiveness and efficiency of the activities in any domain and at the same time having as an objective the equality of chances between men and women.

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Applying Programmed Changes Management – a Condition of Applying Post-Crisis Reforms

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Abstract

In compliance with the imperatives of the transition to a new post-crisis production industry, the paper aims to address the issues of programmed changes management. In this sense, after the submission of the general coordinates, a methodology for implementing its requirements based on a case study is proposed.

Key words: crisis, forces of change, programmed changes management; global village; the balance of the change forces.

J.E.L. classification: M14

1. Introduction to specific problems

The analysis of phenomenal and processes of the contemporary era demonstrates that the reforms needed to overcome the crisis permanently create a need for change in the organization.

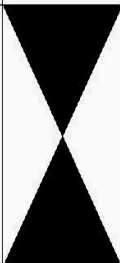
Certain changes have a smaller scale affecting only an individual or a small group of people, while other changes have a greater influence affecting large companies as a whole.

In the current context, crisis – recession – crisis, Romanian companies pass through dramatic changes towards efficiency, frequently wasting the creative energies of human resources and the available capital. These resources, when used with skill, could lead to increased marginal efficiency and furthermore to beneficial macroeconomics effects.

Kurt Lewin, a known expert in management, supports in his theory known as "force field analysis" that the conduct of business or an individual or group of

individuals is the result of a balance between the forces that lead to change and the forces that resist change.

Fig. no. 1. Forces of change

Elements that determine change	Balance	Elements that slows change
Pressures for change <ul style="list-style-type: none"> • Technology changing; • Know-how boom; • Products obsolescence; • Improving work conditions; • Changing the structure of the labor force. 		Resistance to change <ul style="list-style-type: none"> • Labor force structure; • Mental block; • Fear of new; • Fear of failure; • Low level of professionalism.
The balance of the change forces (after K. Lewin)		

Source: Golea Pompiliu, *Management – procedural approach*, Ex Ponto Publishing, Constanta, 2003

Specialized literature reveals that changes may be caused by the following causes:

a) The trend towards a globalized competition

According to some experts, globalization is the expansion of capitalism in general and the Western one in particular.

Sociologist Mc. Luhan talks about the possibility of transforming the world into a "global village" where the states, borders and language disappear, unifying the entire planet and headed by a "planetary government".

While it may seem imaginative, it reflects a major trend: the pronounced possibility of integration and radical transformation of the world during the current millennium. From an economic perspective, some experts consider that creating a single global market will generate an increased possibility to integrate the national savings.

Under these circumstances, the participation of countries and implicitly that of companies is amplified in the global economic network. In order to achieve this goal, companies must change their culture, modify their structures and upgrade their products and technologies.

The current imbalances involve greater changes in companies' physiognomy, which brings in the spotlight the programmed changes management issues.

b) Major changes in technology

Scientific and technical progress determines the acceleration of product innovation, know-how and technologies of companies which have to carry out their activity in a technical, technological, economical and dynamic organizational environment.

c) The moral depreciation of products

Scientific and technical progress also causes the amplification of product wear process, through the appearance of new products in increasingly shorter periods.

Rapid product wear is another important factor which requires scheduled changes within companies.

d) Major changes concerning manpower

The most significant changes in this field are:

- Increased aging of the population and therefore the manpower;
- Amplified worldwide mobility of the workforce, caused by a globalized economy
- decreased loyalty towards the company;
- several profession changes during the productive life;
- women will still hold a significant share of total manpower.

In parallel with the forces that determine the change, a series of opposite forces occur.

Individual resistance to change is determined by at least six factors:

a) Selective perception – is constituted in such a force because people tend to perceive from the surrounding world only those matters within their sphere of understanding and interest. Major changes may affect the interests of company personnel and therefore they are not perceived positively by them.

b) Habitudes – are a source of satisfaction for the individual because it allows adaption to the environment in safe and comfortable manners. If changes are a source of stress, people manifest resistance towards the implementation of the proposed changes.

c) Reliance on others – is also a force that opposes the change. If the head of an organizational structure will manifest resistance to change, if they are dependent on the head of the department others will also reject change.

d) Fear of the unknown – make people insecure, because major changes bring elements of doubt which generate resistance to change.

e) Economic reasons - can be a force that resists change, because major changes bring elements of doubt which generate resistance to change.

f) Rules and group cohesion – are a potential force that opposes the change, because the group will put pressure on each of its members who will try to deviate from rules, which will generate a state of conformity which may block change.

Companies resistance to change is determined by at least five factors:

a) Fear of power and influence change – is determined at its turn that within the company, individuals and groups of people will strive to make changes only if they are in their favor, while others will resist because they do not want to lose their power and influence.

b) Rigid organizational structure – consists of a clearly defined chain of command, of tasks and authorities of each position, representing a road block to change.

c) Corporate culture– can generate resistance to change, because within the company prevail certain customs and values which impose a de facto state.

d) The limited resources of the company – also constitutes a force that opposes the profound changes that require huge material and financial resources. The large share of fixed assets constitutes a force that opposes the change due to technological restructuring difficulties.

e) Inter-organizational agreements – can constitute into a force that opposes change, because it may affect the interests

of other cooperative companies. They join together and resist against change.

Therefore, the identification and analysis of these forces is required, because it is desired to break the balance between the forces that resist change.

2. Operationalization of programmed changes management methodology

From our point of view, a methodology that formalizes the process of change involves the following steps:

- a) Identification and analysis of critical issues that require change
- b) Develop a program for implementing planned changes;
- c) Identification of individuals and the firm attitudes towards change;
- d) Value staff's creativity and ideas implementation;
- e) Consolidation of new values and conduct.

We will briefly review each one in a case study.

a) Identification and analysis of critical issues that require change

To achieve this approach, we will draw the following table:

Table no. 1. Identification and analysis of critical issues in companies

Crt. nr.	Critical issue name	Reference data	Main causes
1	Failure to achieve planned turnover	Planned level	Market share drop (sale-wise) on market X
2	Market share drop (sale-wise) on market X	Planned level Level achieved by the main competitors	Obsolete products

Source: author's efforts

Remarks:

1. In the last three years the planned level of profit hasn't been achieved;

2. In the last 5 years the company has not upgraded nor assimilate new products

Identification of critical issues should be linked with the analysis of the forces that press for major changes in the company.

Based on the critical issues identified, the firm's external environment factors shall be examined:

- Market X where the company sells their goods;
- Existing and potential competitors in this market;
- Consumer requirements;
- Raw material suppliers;
- Manufacturing technologies; etc.

b) Develop a program for implementing planned changes

Table no. 2. Implementation of programmed change management program

Cr t. nr.	Name of organizational change and the stages of making	Responsible	Terms
The assimilation of product "A"			
1	Constructive design;	Constructive design workshop;	1.05. 2012
2	Technological design;	Technological design workshop;	1.07. 2012
3	Material and organizational design	Supply Management; Marketing;	1.08. 2012
4	Prototype manufacturing;	Production departments;	1.10. 2012
5	Making constructive changes in the draft;	Workshop and technological design;	1.12. 2012
6	Manufacture series 0.	Production departments.	1.02. 2013

Source: author's efforts

Notes: A team project shall constitute, consisting of specialists from departments involved in the uptake of the product "X"

This stage ends with a meeting attended by both managers and top managers and specialists from all departments involved in the process of change. The role of this meeting is to raise awareness for the need of change for the individuals, groups and organizations as a whole.

c) Identification of individuals and the firm attitudes towards change

The foundation of this stage is represented by the appreciation of general attitude of employees towards change and the various factors of individual and organizational resistance to change.

For this approach we shall use the following questionnaire adapted from Hellriegel D., and others, Organizational Behavior, West Publishing Company, 1992.

This questionnaire is in our opinion a tool that allows to appreciate the employees' attitude towards the planned changes and to identify various factors of individual and organizational resistance to change.

Based on the answers, the evaluating coefficient can be determined using the following relation:

$$Eval\ coeff = \frac{score\ value}{no.of\ questions}$$

The results of the questionnaire applied to the firm's staff are inserted in the table below:

Table no. 3. Evaluation of individuals' attitude towards change

Questi on no.	The question content	Evaluation coefficient
0	1	2
1	I intensely want changes to occur at my job.	5,70
2	Usually I resist new ideas.	5,20
3	Most employees benefit from change	5,26
4	I do not like changes, because managers usually don't support them.	6,13
5	Usually changes are for the benefit of the company.	5,45
6	Most changes are useless	5,90
7	Change is necessary	5,90
8	I use my power to resist change.	6,05
9	I often suggest new ways of solving problems.	5,06
10	Often, I feel less secure towards change.	4,90
11	Usually change insignificantly improves work.	5,78
12	I agree with a change only if all agree.	6,20
13	I try to acknowledge new ideas about the job I have.	5,90
14	Usually change reduces my ability to control work.	5,10
15	Group to which I belong agrees with change.	5,35
16	Some components of organizational culture block the change.	4,80
17	Departments involved in a major change, usually cooperate with each other.	4,80
18	Your superiors tend to block some changes that reduce their power and influence.	4,86
Average		5,46

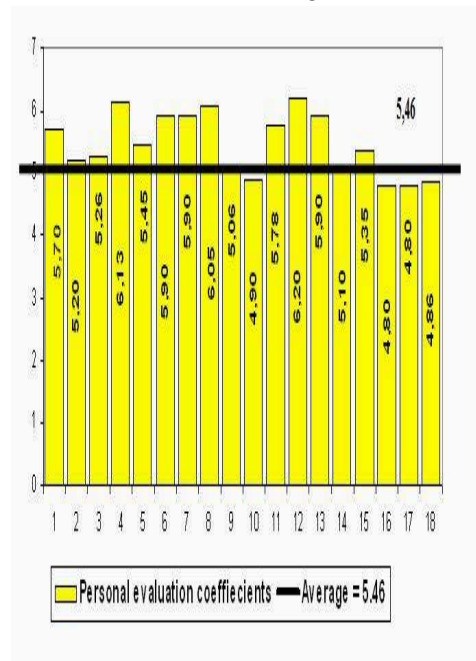
Source: Golea Pompiliu, *Management – Procedural approach*, Ex Ponto Publishing, Constanta, 2003.

Rating:

- Very positive attitude towards change: 9-10;
- Positive attitude: 7-8;
- Neutral attitude: 5-7;
- Negative attitude: 3-5;
- Very negative attitude: 0-3.

The results can be represented in the following histogram:

Fig. no. 2. Evaluation of individual attitudes towards change



Source: author's efforts

Using the table and the histogram, we can appreciate the general attitude of employees and the various factors of individual and organizational resistance to change. Analyzing the evaluation coefficients in table no.3 and the histogram fig. no. 2, we can formulate the following remarks:

- Insecurity caused by fear of the unknown, because the major change brings elements of doubt (4.90);
- The organizational culture determined by the existence of values and habits that impose the status quo. Therefore, this factor constitutes a force that opposes the change (4.80);
- The cooperation between the departments involved in a major change is not adequate. The reasons behind this behavior should be examined deeper, because this factor is a barrier for change (4.80);
- Fear of losing power by some managers is also a force that block change (4.86);

Overall we notice a generalized state of apathy on behalf of the interviewed staff. Because of this we should seek ways to encourage the latent part of the company's workforce (5.46).

d) Value staff's creativity and ideas implementation

At this stage we seek solutions for solving problems regarding the programmed operational changes and to mitigate or eliminate the forces that resist change.

In our specific case, solutions are sought on:

- Designing new products and upgrading existing technologies;
- Upgrading the existing technologies;
- Improving the organizational structure;
- Changes in company culture; etc.

To stimulate creativity there are some methods that can be used such as: brainstorming, collective book (carnet colectiv), etc.

e) Consolidation of new values and conduct

At this stage the new state of the system is strengthened in a technical, economic, organizational and cultural way. A series of measures are undertaken such as:

- Bringing improvements to new products;
- Intensification of promotional policies;
- Improvement of manufacturing technologies;
- Improvement of organizational structures;
- The application of incentives to increase employee interest in maintaining the changes made;
- Consolidation of new cultural values.

3. Conclusions

Romanian companies find themselves in need of major changes determined by the transition to a new type of economic performance. We believe that from this perspective, the issue of programmed changes management should be approached with great responsibility.

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Economic Crisis - a Result of Globalization?

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Abstract

As we analyze the current economic crisis, which we can consider first ever global crisis that started with banking problems, we are asking if this crisis was strictly a financial one or a crisis due to the phenomenon called globalization.

What caused the global financial crisis was the lack of information. Best parameters to operate in markets need information, but no market player did not know who and what is holding or how much is worthing. Thus, we believe that the main point of the world economy before the recession and the weak factor, directly responsible for the current economic crisis, was trade. Moreover, since 2008, officials talked about establishing a new framework for world trade, but this desire met difficulties in order to be capitalized as political segment and as a starting point.

The conclusion we can draw is that the current economic crisis requires reconsideration of globalization.

Key words: globalization, crisis, credit, trade
J.E.L. classification: E32

1. Introduction

We note that the concept of globalization is very common, especially in recent decades. Were amplified various aspects and connections of this concept, which continues to develop in a fast particularly. The idea of globalization is present everywhere: in science, communication, technology, military affairs, the environment, etc. Although in theory the process of globalization was "invented" in the 1980s (the concept existed long before), we can say that today international trade attracts hundreds of

countries and registered an enormous range of finished products of all categories. Thus, globalization is marked by an integration of the economies of various countries, which make the final, qualitative structure of national economies to be changed. Many national economies have become common part of a global economy with many advantages and disadvantages. One can speak of many triggers that marked the emergence of globalization, being socio-economic or policy factors. Among them are: development of means of production, consumer goods, demand and supply of goods and services, improving communication and transport means, moving labor force, capital migration.

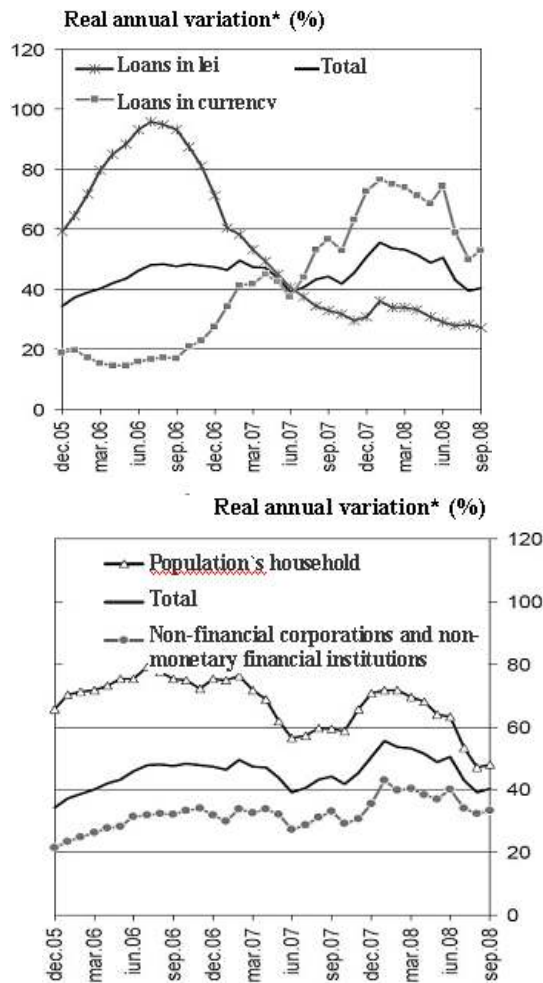
2. Credit situation in Romania

The economic crisis we are in and which humanity itself has created, is a consequence of insufficient supervision on bank loans, based on quantity and not quality.

The graphs below, taken from the National Institute of Statistics, shows the situation in private sector credit and the types of customers, untill September 2008:

Figure no. 1. The situation in private sector credit and the types of customers, untill September 2008

The loan granted to the private sector



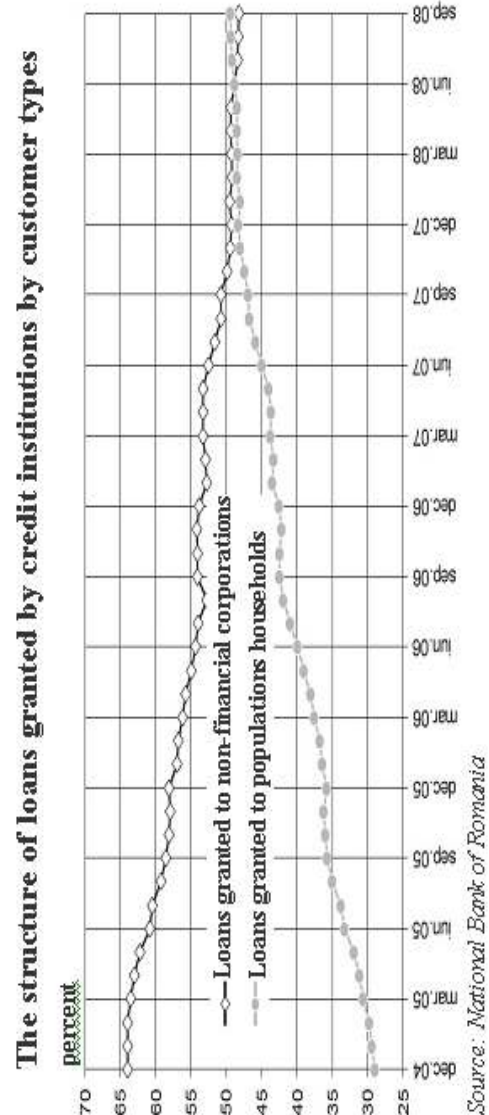
Source: National Bank of Romania; National Institute of Statistics

Loans in lei had a period of strong growth during the end of 2005 until the mid of 2006, and after the adhesion of Romania to European Union, had strong downward trend, and downward trend is maintained until now. Loans in foreign currency situation experienced a reverse evolution in domestic credit, with a trend of stagnation in late of 2008, when the crisis began, and now is a downward trend.

The dynamics of lending economical agents and individuals experienced a slight decrease during 2005 - 2008 with vague tendencies, at some times, of growing, due to cyclical market conditions, particularly to the Real Estate market, the overall trend still being a downwards one. In the chart

presented can be seen that the real annual variation for economic agents is below the level of individuals.

Figure no. 2. The dynamics of lending economic agents and individuals



Loans situation granted by credit institutions on the types of customers shows that non-financial corporate loans trend versus the trend of loans granted to households of population during December 2004 - September 2008, had a reverse trend and tended to equalization at the end of year 2008.

What is needed on the market today, is a new economical and financial order at global level. It must that each country should have an anti-crisis program, established under the appropriate economic parameters of each nation, a program to increase public

confidence and produce visible and immediate effects.

3. The beginnings and evolution of the global economic crisis in recent years

Global economic and financial crisis which started in 2008 has produced a hole of distrust in financial institutions and has had negative effects on economic growth globally. However, the crisis has consequences both in political and social level. Recession triggered chaos in the financial system, which has made governments in Western Europe and U.S. to nationalize some of the domestic financial system. Although the crisis was triggered in the United States, has expanded rapidly in Western Europe, making "havoc" among all the countries where it has spread, due to globalization.

The financial crisis has had as its starting point the U.S. whereas the American administration has reduced the authority of bodies which were responsible with the regulation of financial investment and has allowed to some banks and insurance companies or investment funds, which had not the necessary cover, to be required to lend to some beneficiaries that had not the ability to pay the rates. Thus, there have been created attractive "packages" that were sold to investors, excessive availability of credit funds, spreading globally.

Such financial events have grown to encompass regional and local administrations, have entered the market exchanges or of shares or natural assets, leading to capital losses from banks and losses from unpaid loans. The financial crisis being established, the result was a lower income and economies of citizens, real estate impairment and the amount of traded shares was significantly reduced. All these effects were done significant losses in the United States, which was in its worst economic recession in the last 75 years and worldwide. American financial and economic crisis has spread extremely rapidly in the rest of the world, Europe entering into recession.

Crisis effects in Europe were: lower industrial production, unemployment, lack of consumer confidence or a feeling of insecurity of citizens. Thus, in some

European countries like Germany, England, France or Italy or Spain, industrial production decreased greatly.

Currently, global debt increased by about 45% compared with 2007, is reflecting the massive recovery programs implemented by governments to overcome the financial crisis. It is estimated that global debt will be 80% of global GDP in 2011, compared with 63% in 2008.

4. Effects of economic crisis in Romania

As seen in this moment Romania, returning money received from the IMF, and certain rights won in court, whose payment was delayed, make 2012 an impossible budget year.

Romania has been severely affected by world economic crisis that has spread with amazing rapidity and revealed, unfortunately, serious vulnerabilities of the Romanian economy.

Thus the first and biggest problem is the current account deficit, more difficult to be financed, and the second major problem is resulting from excessive dependence on foreign capital.

Romania is not in a situation to deal with this type of crisis because in a consumer market, unemployment has increased and will still increase alarmingly, the income will fall further, the currency will depreciate, and poverty will conquer more and more people. Another vulnerability to combat the economic crisis is the inability to absorb EU funds. What is even worse in these conditions is to ensure social peace, as the population is increasingly unhappy and suffer because of increasingly drastic measures which are to be taken by the Romanian state.

Here is in the charts below, how inflation moved up from December 2005 until December 2009:

Figure no. 3. Inflation in December 2005 to 2009, December

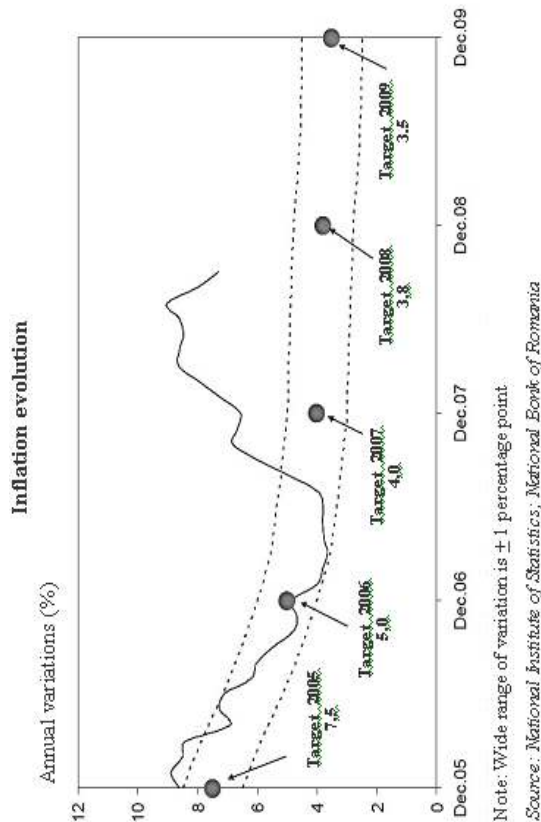
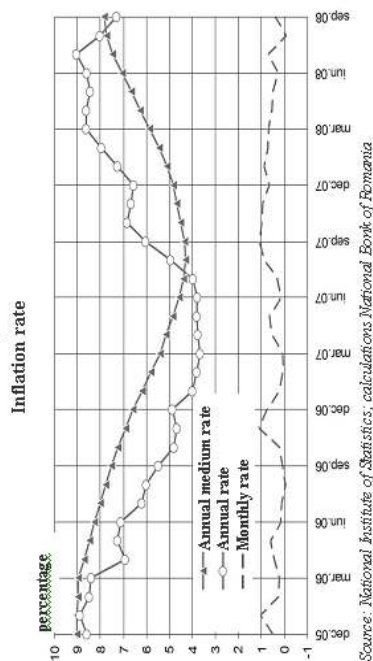


Figure no. 4. Inflation rate



On 31 May 2010, the last report of the Ministry of Finance show that public debt in GDP was 34.94%, but growth is extremely alarming, so on February 28, 2010, the Ministry of Finance reported a level of 28,

77% of GDP. Probability of Romania to pass on growth in 2012 is low which obviously will lead to a further increase in public debt in GDP.

5. Conclusions

Currently, in Romania, to counter the economic crisis there have been taken some of the most drastic measures: increasing the VAT rate from 19% to 24%, decreased with 25% the budgetary salaries, unemployment benefits were reduced by 15%, were introduced new taxes for small producers like authorized persons, individual companies, family companies, and for any independent income, obtained outside wages, as GEO no. 58/2010, it was introduced the flat tax, which balanced the whole economy and have changed, in a very short time, the laws governing the business world which still existed. Thus, there have been changed laws by extreme importance for the smooth running of companies and authorized persons, such as: tax code (several times in a very short time, without any rules for the application in due time), Law no. 31/1990 of Companies, Law no. 85/2006 of insolvency, and the list goes negative.

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Links between Management and Communication

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Abstract

The managerial functions are used for leading the organizations to their final targets. The managerial decisions have to be implemented by the conveyance of the working tasks from the top to the bottom of the company structure. At the same time, the reporting of the acquired results is delivered in the opposite direction. It is obvious that the communication system is substantially linked with the managerial functions. The role and the importance of the managers are in accordance with the level of the action(s). To be efficient and effective the communication between the levels and horizontally has to reach a proper format. The case study presented in the paper is an opening for a larger research on the effects of communication on the process of management.

Key words: communication, management functions, effectiveness

J.E.L. classification: M10, M30

1. Introduction

Managers are persons with the role of leading the organizations - by means of personnel and resources - to the expected results. Certainly, they should have several skills and abilities to be capable to enforce the managerial strategies. One of them is the communication ability, which is the potential to transmit the tasks to the subordinates and to receive the reports and feedbacks.

That is why between the management and the communication inside the organization is a strong link. Good communication between

managers and with the regular staff is a premise for a proper (business) environment able to conduct to expected results.

Types of communication systems used by the managers are according with the style of the manager, as well as with his profile. For example, an authoritarian manager will have a different communication style from a “democratic” manager.

There is also a link between communication and the managerial functions according with the managerial level. It is obvious that communication will be influenced by the duties the manager has to fulfil.

2. Management levels

Management functions are different within an organization, as well as between organizations. In a traditional hierarchical organization (pyramidal structure) there are employees with non-managerial role, “first line” managers, middle managers and top managers.

The basic functions of managers at different levels of an organization can be described as follows: *first-line* managers (*line manager*) or team leaders who are supervising non-managerial staff, category directly involved in the production and the creation of company products or services. *Middle managers*, as the name suggests, report to the top management and are supervising the line managers. They are responsible for running functional areas such as: sales, customer support/service, marketing, logistics, finance, human resources etc. Top managers are expected to plan, to prepare and “to sell” the strategic objectives of the organisation and to take

decisions at the level of the organisation that will determine "the path" to be followed by the company.

Management positions within an organization of the kind require some basic skills, originating from the type and level of managers within the company and from the impact of their decisions. Leadership roles for various types of managers will be different depending on the nature of activities designed for each of the management levels. So, the role of a line manager would be different from the one of a top manager.

A manager is the person that works with and through the others; he is planning and coordinating their activities in order to achieve organizational goals with required efficiency and effectiveness. Efficiency is the component that helps to achieving the best results with minimum resource consumption. Effectiveness is about the way to ensure the work to achieving organizational objectives. There are several types of organizational structures used by companies such as "*the traditional hierarchy*" in which there are several (different) levels of managers and where communication is performed just one level above or below. Another type of structure is the type of "*block matrix*", where people from different levels of the organization can directly communicate with each other regardless of the position occupied.

The organizational structure will depend on the size, type and culture of organization.

3. Specificity of the managerial function

To better understand if the roles of the management are the same or not at different levels of the company, we need to analyze in depth the activities of the managers, the skills and the capabilities of each and every manager.

The management can be described by four basic functions: "planning, organization/regulation, leadership and control" (Fayol, 1916).

Planning involves defining goals, establishing strategies for achieving targets and developing plans in order to coordinate the integration activities. Organization/regulation determine what to do, how to do,

and who to perform. It also entails the resources allocation, the grouping of established tasks and the reporting structure. Leadership is to involve and motivate the subordinates, to influence individuals and/or work teams to engage in the achievement of the tasks. This function requires a selection of the most effective communication channels in order to address employees' behaviour problems. Control is the final function of a manager which allows the verification of tasks performance and objectives achievement.

Once goals are set (the planning function), the structures arranged in order to carry out the tasks (the regulatory function) and the staff employed, trained and motivated (the leading function), a process to monitor and evaluate the progresses achieved, as well as to compare with the initially set goals must be put in place. If there is a deviation from the established objectives and business could be turned to more effective, the manager should adapt the process in order to get the best results for the organization (the control function). Henri Fayol a businessman in the early twentieth Century used the functional approach to describe the roles of all managers. Functional theories were based on personal experiences as general manager of a coal mining French company..

Recent results obtained on a significant sample with managers on the three levels of the organization might suggest that all of them have to meet four basic functions, described by Henri Fayol, but in different manners. The results show the following: in terms of time for leadership, the ratio for the line managers is 51% of their total time of work, compared to 36% for middle managers and 22% for top managers. In terms of time spent for regulatory/organizing purposes, the line managers are spending 24% of their total time of work, compared to 33% for the middle managers and 36% for the top managers. The time spent for planning purposes by the line managers is 15% of their total time of work compared to 18% for middle managers and 28% for the top managers. For the control function the line managers are spending 10% of their total time of work compared to 13% for the middle managers and 14% for the top managers.

It can be perceived that upper management levels need to spend more time on organising and planning than on direct leadership. The top management is concerned with the overall organization, while line managers are focused on operational management (for individuals and working teams).

4. Competences and abilities

Lawrence F. Katz (Harvard Business School and Stanford University) ascertained that there are three basic skills (abilities to carry out duties in various jobs) a manager should possess, but do not define him as good manager (features and characteristics). "Competency involves a skill that can be developed, not necessarily inborn, and which is reflected in performance, not only in potential. Competencies are: technical, human and conceptual" (Katz, 2008).

Technical skills that require specialized knowledge, ability for, analysis, easiness in using the tools and techniques in specific fields are often required, being important for many of the line and middle managers, because they are more interested in leadership issues. LF Katz suggested that when managers reach higher levels, the technical skills become less important, but they still need some skills tailored to the specifics of the company.

Human or interpersonal skills represent the capabilities of the manager to work effectively as a team member, to build up with the team, in order to motivate or even to de-escalate conflicts. This notion was known as emotional intelligence or EQ. LF Katz suggests that this "qualification is important at all management levels, competencies allowing managers to communicate effectively, to motivate, to lead, to delegate and to negotiate within the organization in order to achieve its objectives efficiently and effectively" (Katz, 1995).

The conceptual skills describe the ability of the manager to observe the company as a whole, to identify the relationships between departments and how the company fits its place in the market. This capability allows managers to conceptualize and to think in abstract situations. Conceptual skills are needed at all management levels for the decision - making process.

LF Katz suggests that these skills are more important in top management because they often have to deal with abstract ideas, unlike lower-level managers, who spend more time and efforts with more observable and tangible objects and processes.

The responsibility and the role of a manager could depend on the level and position within the organization. The differences appear in the degree and the emphasis on skills and competencies, not in the process of conduct. All managers, regardless of their level within the organization will perform the managerial functions of planning, organizing, leading and control by use of communication procedures.

5. Managerial communication

To implement executive processes, managers need to communicate with subordinate structures, as well as with higher managerial entities..

Taking into account the elements of the communication process – sender, message, environment,, receiver and the context – one could find out that this process fluctuates in accordance with the nature and the position in the hierarchy of the organization.

In the process of managerial communication it is important to achieve the communication objectives: (1) correct reception of the message, (2) understanding of the message, (3) acceptance of the content of the message and (4) initiating an action.

Communication functions within an organization are: information, transmission of the decisions, influencing the receptor, training of the employees, creating of image, motivation, promotion of culture, integration.

In terms of process and functions of communication it is very important to have ensured the accuracy of the message. To achieve effective communication it is necessary to follow the (communication) principles: transparency, simplicity, speed, realism. In other words, one has to establish: (1) *Who* should be informed?, (2) *What type* of information should he/they receive?, (3) *How much* should he/they be informed (how much information)?, *How* to be informed (how often)?

The manager is definitely the most important person in determining the flow of communications and its general features.

Sending tasks and obtaining information are achieved by the management through the following techniques: (1) establishment of multiple channels of formal communication (2) the use, whenever possible, of direct communication, (3) determining the susceptibility / sensitivity of the receiver towards the messages of the project manager, (4) choosing proper timelines for optimal communication, (5) enforcing words by deeds, actions, (6) using a simple, clear and concise language, (7) recalling messages whenever possible, (8) obtaining feedback in as many forms as possible.

Through the use of various techniques, managers are able to avoid and overcome possible barriers for internal and external communication.

At the same time, several aspects must be taken into account such as: the real desire to communicate, the favorable environment, the adjustment/the adaptation of the message, the attractiveness of the the message, the commitment to communication.

6. Case study

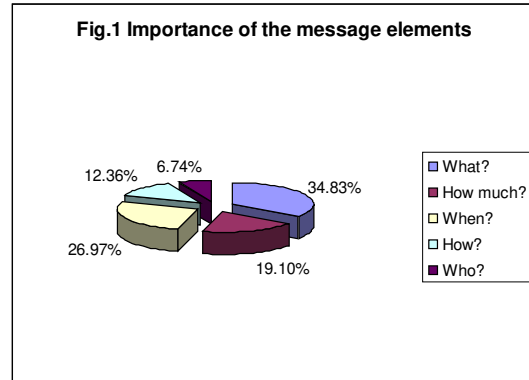
To estimate the perception of links between management and communication a survey was conducted on a randomly sample of 89 managers from different levels, in 37 companies from Târgoviste, Dâmbovița County.

The sample considered 19 line managers, 47 mid level managers and 23 top managers. The questionnaire used 8 questions closed, with scale for responses and only one response option. The interviewing was performed directly by the operator or by telephone, so that all questionnaires were complete and correct.

The results were centralized and processed as fractions in the total responses.

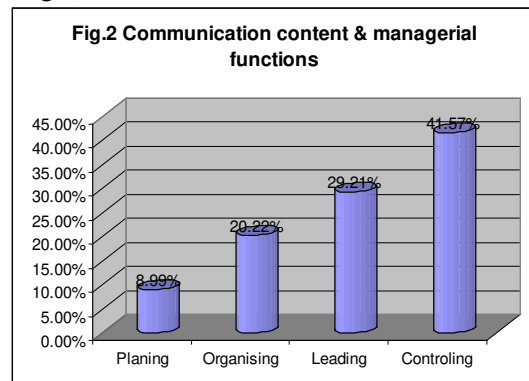
Question 1 - How important do you consider the communication for management activities? Over 60% of the interviewed indicated communication as important, while only 12% considered it as very important. The share of those in a "neutral" position is 13%, and of those who think it is totally unimportant or less important totals about 14%.

By referring to the core elements of the message communicated (this being the essence of the communication process), an attempt to detect the perception of the managers from this perspective was undertaken by *Question 2* - What do you consider the most important matter in communication?



It can be observed that the highest percentage is recorded for the content of the communication, followed by its timing (Fig.1).

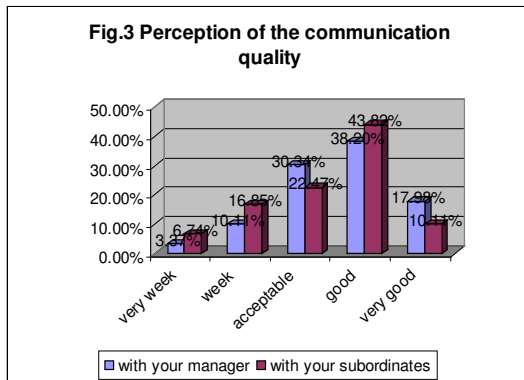
Question 3 - What managerial function is mainly detected in communication? This reveals that among managers the largest share is being held by communication with respect to control and coordination, these encompassing about 70% of the options, compared to planning with only 8.99% (Fig.2).



It can be observed that if international studies (mentioned above) show that the orientation of different management levels is towards organizing at the top management, towards leadership at mid and line management, while the control function registers no more than 15%. In the case of the Romanian managers the propensity for communication in the area of controlling is to be noted, as well as the secondary share for communication in the spheres of organizing and leading. The planning is practically

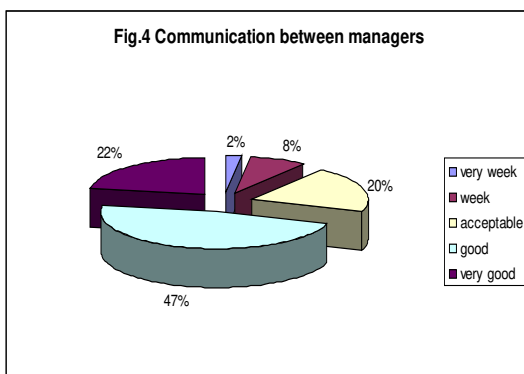
missing, the parameter recording a very low rate compared to the others.

By *Question 4* - How do you communicate with your manager? and *Question 5* - How do you communicate with your subordinates? it was expected to highlight possible differences in perceptions (Fig.3).



Most of the respondents were placed, in both cases, within the range between "acceptable – good". Most of them are considering that they have a good communication with their supervisor and acceptable communication with their subordinates. Same swap can be seen for the couple "weak-very good" which leads to the conclusion that many supervisors think they have a feeble communication with their subordinates, while many subordinates believe they have a very good communication with the superior.

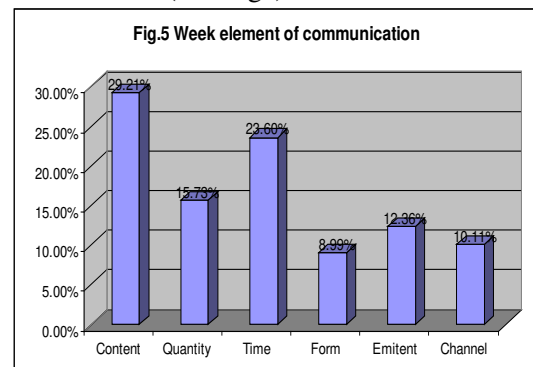
Question 6 - How do you communicate with other managers in the company? - intends to highlight possible differences between the vertical communication and the horizontal one.



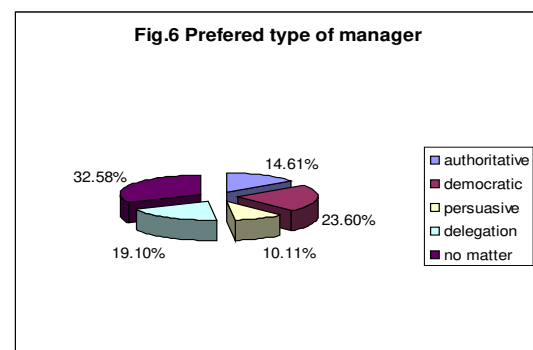
The results acquired show that almost 90% of the managers believe they have an acceptable, a good or a very good communication with "fellow managers", while only 10% think the communication suffers (Fig.4).

While the situation is almost similar in terms of communication with the upper management level, in the communication with subordinates appears a significant difference, the dysfunctional communication registering a ratio of about 24% (more than double).

Question 7 - What element of communication do you think is lacking? The respondents believe that the weakest element of the managerial communication is the content (at a rate of 29.21%), followed by the timing of the communication, with a percentage of 23.80% (Fig.5). At the same time, the least weak elements seem to be the form and the (message) transmission channel.



Question 8 - What kind of manager do you prefer? - aims to highlighting the types of managers preferred in the studied companies, typology also reflected in their style of communication.



The outcomes show that most respondents (32.58%) do not consider this issue as important. On the top of the preferences ranks the "democratic" type, followed by the "delegation" type. Only 14.61% of the respondents are pleased with an authoritarian style.

It can be noted that although not desirable, from the data regarding communication in relation with the managerial function of control, they seem to be present within the studied sample.

7. Conclusions

The survey aimed at assessing a first evaluation on the perception of managers with respect to communication within the studied organizations. The data collected show that managers consider communication important in the management process, but there are discrepancies between the functions of management and the content of the communication. At the same time, subjects find it very important the message and the timing of the transmission, and almost totally unimportant the sender, which - in our opinion - also pinpoints some dysfunctions. However, this result might have been influenced by the requirement to mark only one option. A deeper analysis is required, possibly using hierarchy-based systems.

Discrepancies were observed also in terms of the representation of the managerial functions with respect to the content of the communication. The analysis on categories/types of managers was not performed for comparison with relevant data in international scientific literature but to provide a "first impression" report.

The fact that most of the responders consider themselves as having a good communication with superiors and subordinates is a good starting point for a more complex analysis of the relationship between management and communication, on how the performances of the managers can be influenced by their style in communication.

It is noteworthy that almost all managers believe they have proper communication with other managers in the firm.

Subsequent directions for the development of the study could be:

- carrying out a survey on a representative sample with greater in-depth;
- studying the management environment in the business sector, as well as in the public sector;
- identification of correlations between management functions and components of the communication;
- displaying the differences between the two studied environments.

8. Acknowledgement

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The Functions of Marks

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Abstract

At present, trade marks, brands and service marks are used widely in all countries - whether developing or industrialized, market or planned economy - and play an important economic role in the marketing trade.

Trademarks serve the interests of the market offering goods and services - such as industrialists, manufacturers, distributors, retailers and wholesalers - and the interests of consumers, public authorities and the wider economy.

Key words: Trademarks, brand, competition

J.E.L. classification: K11

1. Introducing the Main Concepts

In a market economy, the use of trademarks is subject to legal and financial constraints, which reflects the increasing importance that is assigned by the contemporaneous society.

In essence, the trade policy aims at targets dictated by the need of individualizing and differentiating the products and services from those of competitors, depending on the specific of market segments, in relation to the technical benefits and qualities, of the performance whose valorization is sought.

Nowadays, trademarks play a very important role in the industrialization era; they became an essential factor in the modern world of international trade and market economy.

In a competitive economy, manufacturers and retailers can provide consumers with different products in the same category. Although, at first glance, these products do not appear to be different in the eyes of consumers, however, they may differ in terms of quality, price or other features.

Brands or trade marks serve different purposes. From the standpoint of the person interested in buying a commodity, the mark aims to:

- Influence the buying decision.

This decision is based on the product properties and traits (size, weight, colour, smell, taste, durability, efficiency degree etc.), i.e. the potential buyer looks for a certain product quality or feature [1]. The mark thus serves to personalize the product or the service, it raises awareness and stimulates the product buyer or the service beneficiary, and, not least, it offers the guarantee of quality.

The mark highlights the particularities of the product, being considered a potential for a future sale, made in the subconscious of thousands of individuals; the mark is a sign for the recognition of an item, which serves to distinguish it from another, to indicate one of its functions.

The mark is also a distinctive sign used within companies in order to distinguish and identify their products, items and services from those items identical or similar, belonging to other companies; it is used by traders and intended to differentiate their products, works and services, from identical or similar products, works or services which belong to other traders.

The second function of the factory or trade mark is to allow the manufacturer to identify the goods previously produced and which are no longer in its possession but, for example, in stores that sell them.

The third function of the factory or trade mark is to enable the authorities responsible for quality control or for the control of other features of the products sold under a particular brand to exercise their responsibilities.

Entrepreneurs have in view the production of goods but they also provide services. Services may be of almost any category:

tourism, advertising, transportation, insurance, materials handling, etc.

The service mark is therefore a sign used by entrepreneurs offering services (hotels, restaurants, airlines, travel agencies, car rental agencies, laundry and drying) to identify services on the market.

According to Professor Ioan Macovei [2], in business strategy, the mark is a key element.

The objective and subjective distinction made in the global supply of goods and services, the mark is used to extend the market.

In this context, the mark functions are configured for economic and social conditions. The main functions performed by the brand are: the function of product differentiation, competitive position, market organization function and the monopoly function.

Analyzing the various functions of the mark, a study of the AIP-IP (International Association for Industrial Property Protection) shows that the mark has primarily an identification function; then, it has the function of indicating the source of origin [3].

The mark has additional economic functions, which vary depending on the specific use and the type of brand; among the economic functions there are:

- The quality function;
- The function of advertising;
- The competition Function.

3. The Function of Competition

The function of brand competition is based on the system to attract customers.

Following the development of production, the offer increase considerably augmented business volume, and, thus, the productive capacity[4].

Competitiveness necessarily implies the promotion of new items on the market [5].

Through its influence on demand, the brand allows the manufacture in large series, which favors the reducing of the cost and increase the competitive power of products.

The brand quality is directly related to firm size, the competitive position is a productivity factor, an element of technical progress.

The competition function is achieved through differentiation and brand advertising.

The diversification and multiplication of models, types and colors made not only a differentiation of products but also of brands.

The same brand is used for a variety of models. For example, car or detergent brands.

The differentiated brand advertising increases the sales.

Due to technical progress, advertising has evolved from persuasive forms, with the character of information, to invasive or obsessive or violent methods.

Due to the abuse in advertising, the objective differentiation becomes subjective differentiation.

The funds allotted to differentiated brand advertising involve the increasing of production costs.

In terms of force of attraction, the brand is an independent good, with its own value and it is part of the balance sheet asset.

The quality or presentation differentiation is completed with the subjective preferences of buyers.

For the consumer, the brand has the role to guarantee product quality.

It helps the buyer to identify a product and it determines, by maintaining a constant quality, a certain preference.

If the real quality of the product is altered, the buyer will choose the products of a different manufacturer.

4. Function of market organization

By matching supply and demand, the brand is a means of organizing the market [6]. The organizing function of the brand exercises its influence on distribution forms [7]. The mark ensures sales and cost savings.

Since the brand sells by itself, traders use their own distinctive marks. By means of this use of their own trade and service marks, traders have the tendency to ensure their exclusivity of their brand in the process of product distribution organization.

In this context, the brand is a primary tool of marketing.

5. The position of monopoly

Mark differentiation and distribution exclusivity lead to the transformation of competition into an instrument of monopoly [8].

Due to this phenomenon, the function of guaranteeing the product quality is replaced by a consumer protection function [9].

The brand diversification within the same company is an artificial phenomenon that prevents production progress.

With an increasing number of variants, the effectiveness of large series is limited and the differentiation becomes exclusively subjective.

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Corporate Social Responsibility in Romania. Case Study

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Abstract

CSR starting premise that aims to harmonize economic, social and environmental. In Romania, CSR is a relatively new field, but now more and more business in the Romanian society, being promoted, especially through multinational companies. A sensitive issue, at least for companies doing business in Romania, is to ensure communication and transparency of information on socially responsible investment as they are involved. In this article we try to present the current situation regarding the practical implementation of CSR in Romania, but not before taking into account the dimensions of corporate social responsibility and issues of recognition or non-recognition investments in the accounts of social. The study concerns a sample of 40 companies (multi)national, which are considered matters such as: areas of interest are involved, different budgets for socially responsible actions, the main CSR projects, and most philanthropic companies past five years carrying out their business activities (and) in Romania.

Key words: Corporate Social Responsibility, social actions, corporate sustainability, sustainable development, CSR reporting, charitable companies.

J.E.L. classification: M14, M38, M41, M42.

1. Introduction

In recent years, a new category of companies responsibilities generating interest in general and multinational companies, especially. It's about *Corporate Social Responsibility (CSR)* viewed as the sum of liabilities of companies that contribute to the development of the modern society. In this regard, to contribute to public good, more

companies (multi) national socially responsible takes action considered strategic CSR objectives, which could have positive effects on financial performance and reinforce the company's image in general medium and long term. Literature [5] highlights the theory supporters, which CSR help to strengthen the financial performance of companies and deniers, who believe that investing in social actions, not directly related to the company's business strategy, and could help to adversely affect the financial performance.

We can not agree with the idea of opposing positive contribution of CSR on the profitability of the company, knowing that *image of investment*, even if in principle can not be recognized accounting term that will enhance company performance, measured by indicators „outside accounting”, such as: *Economic Value Added (EVA)* or *Market Value Added (MVA)*.

However, we must note that the positive effects of CSR can not be sustained than in normal conditions of business companies, where threats are of macro (see the current economic crisis), CSR no longer can be effective, because the imbalances exceed corporate and manifests a higher level.

To understand issues concerning CSR reporting in Romania, we present the dimensions of corporate social responsibility, focusing on *discretionary responsibility*, corporate social pyramid at the top [2]. In fact, the balance community-company may be provided by optimizing the economic, social and environmental - strategic approach to CSR.

2. Dimensions of CSR

Using the concept of CSR has become current since the 70s of last century, claiming that *a new form of governance in the business, to benefit, mutually, company-society relationship*. Supporting the

conceptual development and practical implementation of CSR takes place both *internationally*, through: standards issued by the United Nations Organization (UNO), the lines of conduct developed by the Organization for Economic Cooperation and Development (OECD) and International Labour Organization conventions (ILO) and *the European Union* by the Lisbon Strategy objectives in 2000. These institutions were involved in developing the overall framework of CSR together with the principles and recommendations to support the issuance of national policies to support CSR initiatives and to ensure transparency in their reporting.

So for a company to prove that is socially responsible, it must understand the principles of CSR internationally promoted and, moreover, should report regularly shares "socially responsible" to demonstrate the integration of CSR principles into its activities. CSR in terms of size since the 90s [2] demonstrated that CSR concerns four types of responsibilities that companies have to society as a whole: *economic responsibility, legal, ethical and discretionary (philanthropic)*.

Economic responsibility is synonymous with the term "*Profit!*" and is the basis the other three categories of responsibilities. Economic components that characterize this type of responsibility shall include: the company must act to maximize the return on shares, to profit consistently and as high and to maintain a competitive position in the market. *Legal responsibility* falls imperative: "*Respect the law!*" and its components are: to act according to legal requirements, comply with national and international regulations, to conduct business subject to compliance with legal requirements. In accounting, this responsibility might translate as respect for regularity and sincerity. *Ethical responsibility* is associated with the motto: "*Be ethical!*", and is considering fairness for all stakeholders. Among the ethical components of CSR, we find: to act in accordance with moral norms, to recognize that corporate integrity and ethical behavior assuming duties involve high compliance with the rules. On top of the pyramid of corporate social responsibility is *the discretionary or philanthropic responsibility*, characterized by the expression: "*Be a good*

corporate citizen!" Obligations taken by companies in this area are purely voluntary and the decision is guided by the desire to assume their companies to engage in social action, involvement is proved to be a win-win solution for both the company and for society as a whole. Components that define discretionary responsibility considering the contribution those companies can have it in areas of interest such as: *education, culture, environment, social, human rights and sport*. More specifically, for "being a good corporate citizen", every company must act in accordance with the order philanthropic expectations that society has to address, must involve managers and employees in voluntary and charitable activities in communities where operates, to assist public and private educational institutions. In other words, companies should voluntarily contribute to the development of projects leading to improved quality of life in the community in which they operate.

Organizational theory shows that over time, the focus was especially on the first two types of responsibilities (economic and legal), they were placed, moreover, at the bottom CSR. Later, he felt the need for ethical and discretionary obligations that complements CSR area in response to changes in the value systems of all categories of stakeholders and to meet the demands of increasingly competitive business environment.

Therefore, if you make a comparison between Maslow's Pyramid and CSR Pyramid, we can see that the ethical responsibility the same position as the "*need for esteem, status, respect*" in Maslow's Pyramid. So, within a company, economic and legal responsibilities can be assumed (as are considered "physiological needs, security and belonging" in Maslow's Pyramid), and socially responsible corporate practices, certainly should be directed and to philanthropy, equivalent to "Self" in Maslow's Pyramid.

A delicate issue is the recognition or non-recognition of the assets of a company's investment in various social activities. We ask that when increasing the asset value is the company as a result of the costs for some socially responsible actions?

3. (Non)Recognition in accounting of investments in the social actions

Currently, while measuring the economic and financial performance of companies can be made easily, quantify social performance is difficult to determine, and recognition of intangible assets requires consideration of the conditions very "delicate" in terms of accountant.

Under IFRS, recognition of an intangible asset shall consider first the definition of an active compliance, generally presented in the Conceptual Framework. *An asset is a resource controlled by a firm as a result of past events and from which is expected to generate economic benefits for the enterprise in future periods.* Specifically, the key criteria to determine whether an intangible asset be recognized are: can be *identified separately* from other assets of the entity; the entity to have *control* over the asset as a result of past events; *future economic benefits associated activities are expected to flow to the entity*; can be measured reliably intangible asset costs.

If any of these conditions is not met, the intangible asset is non-recognized in the balance sheet. Given that the costs are shown *as expenses in the period*, also many remain unregistered in the balance sheet assets by purchasing entity to another entity. If an item does not meet the definition of intangible nature of their failure to comply with conditions set, then it can not be recognized as an asset and will be highlighted in the *category of expenses* (for example: marks, titles of publications, internally generated customer lists, *because they can not be reliably measured*, the costs of training, *because it can control the future economic benefits*, costs of changing the location and the reorganization because they can *not be estimated future economic benefits* etc).

This is the case for *expenses incurred for various social activities*. Because they can not be estimated and quantified future economic benefits associated expenditure for various social actions, it certainly can not be recognized as intangible assets in the balance sheet. However, it is noted that while investment in the image and reputation can not be recognized (is internally generated goodwill and IAS 38 "Intangible Assets" prohibits the recognition of it), however,

beneficial effects will be felt in the long run, according "virtuous" circle theory [6], which claims that between social performance and financial performance is not only a relationship of co-determination, but also one of self-determination.

To analyze the current (reported) on CSR in Romania, we used an empirical study of the 40 companies listed on the website CSR [3]. the methodology and results are presented below.

4. CSR projects in Romania

In terms of conceptual development and practical implementation of CSR in Romania, we notice that in the last five years have held various conferences, projects and studies, on the one hand, promoted the need for CSR in developing communities in which they operate companies, on the other hand, have analyzed the results of their involvement in various social activities.

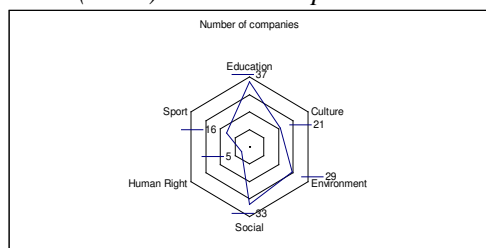
To analyze what the situation is currently in Romania, we conducted a survey of companies that, in principle, made public their CSR actions. Said the study was made possible by collecting information on www.responsabilitateasociala.ro site where are listed at present a total of 40 national and multinational companies operating in Romania and shall make public and socially responsible practices, providing information such as: *areas of interest which involves different budgets for social responsible actions*, and *the types of projects*.

The information collected and processed on actions undertaken in the 2006-2010 social responsibility by companies listed on the site, to which we added information on the turnover of the financial reports public companies in the same idea relationship analysis: social performance-financial performance. As I mentioned in the introduction, this relationship can be demonstrated only if the companies face reputational risks. n terms of systemic risk is difficult to analyze social performance-financial performance relationship, so in this study we confine ourselves to finding more CSR situation manifested in recent years at national level and we do less than to demonstrate the relationship of co-determination or self-determination between

financial performance and social performance.

With regard to areas of interest involving (multi)national companies analyzed, it is noted that in the last five years, approximately 93% of companies have initiated *actions in education*, as can be seen from the chart below.

Chart no. 1 Areas of interest of (multi)national companies

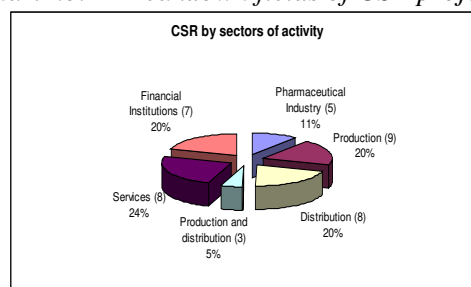


Source: processing by data from sites:
<http://www.responsabilitatesociala.ro>

In hierarchical order, by area of interest concerned the percentages recorded by companies are: *social* (82%), *environmental* (73%), *cultural* (52%), *sports* (40%), and the last ranks of *corporate initiatives human rights* (13%). We see, therefore, that most companies were involved in educational activities with programs such as: "We care about education" (Apa Nova Bucharest), "Student of the Year" (Carpatcement Holding), "School of Andrew" (OMV Petrom), "Vodafone scholarships for high school" (Vodafone Romania), but can not motivating enough, given the current state of secondary education in Romania. And the social and ecological hold important places, supported by actions such as: "Wall of indifference" (A&D Pharma), "Your child is safe?" (BGS), "Color a Smile" (Praktiker Romania), "Together for nature" (Romstal), "Green umbrella" (Tuborg Romania), and "Think. Recycle"(Alexandriion Group). Last place is held by the field of human rights, the companies involved: A&D Pharma, Avon Romania, OTP Bank Romania, Vodafone Romania, Wester Union Romania. *Main forms of corporate involvement* were: donations in cash or in the form of equipment, construction materials, teaching materials, educational programs, trainings, and various voluntary actions that have involved employees of companies.

If we analyze the distribution companies involved in social action on the fields, we find that the highest percentage is owned by *services companies*, among which are distinguished communications and telecommunications services (UPC Romania, Vodafone Romania, Orange Romania) and financial services and utilities (RBS Romania, Transgaz, Apa Nova Bucharest). In second place are ranked *financial institutions*, especially banks and *companies in the production or the distribution*, as can be seen from the chart no. 2.

Chart no. 2 Breakdown fields of CSR projects



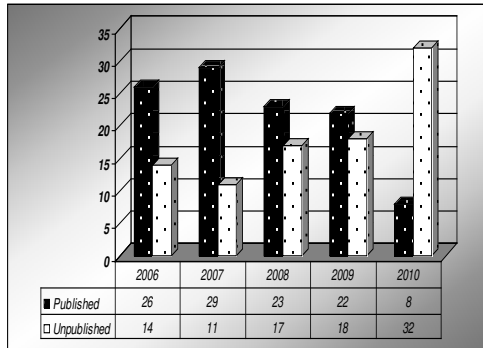
Source: processing by data from sites:
<http://www.responsabilitatesociala.ro>

A critical aspect is related to the study: *lack of transparency in corporate social initiatives declare budget*. This is quite difficult to interpret results, and analysis of the relationship: social performance-financial performance. More specifically, only ten companies (25%) said budget actions on CSR in each of the five years taken into account (A&D Pharma, BCR, BGS, Carpatcement, Coca-Cola HBC, Provident Financial, Romstal Transgaz Tuborg, Western Union), 70% state budget only partially, and two companies listed on the website CSR (5%) said no budget for social action (Dacia Groupe Renault, UPC Romania). However, even if not stated budget, the two companies were involved in various social projects such as: "The construction of homes for children with disabilities", "Planting the platform in Mioveni" (Dacia Groupe Renault), and "Provita project" (UPC Romania).

For the period considered, over half of companies say their budget analysis in each of the first four years; the presented situation for the year 2010 is not necessarily relevant, because many companies have not yet declared their expenditure on various social

actions, which is presented only in a provisional.

Chart no. 3 Transparency and lack of transparency in budget declaration CSR in Romania



Source: processing by data from sites:
<http://www.responsabilitatesociala.ro>

Among companies that declare their budget, we noted that some allocated budget for CSR campaigns of several thousand Euros and several million others. A ranking of the companies analyzed (Top 5) depending on the budgets for the period studied can be seen in the table below.

Table no. 1 Most socially responsible companies in the period 2006-2010

The first five companies in 2006		
No.	Company	Budget (Euro)
1.	OMV Petrom	2.600.000
2.	BCR	2.000.000
3.	Vodafone România	1.600.000
4.	BRD-GSG	1.300.000
5.	Transgaz	890.000
Total amount invested		8.390.000
The first five companies in 2007		
1.	OMV Petrom	2.623.436
2.	BCR	2.000.000
3.	Vodafone România	1.992.654
4.	Coca-Cola HBC	1.000.000
5.	Transgaz	932.000
Total amount invested		8.548.090
The first five companies in 2008		
1.	OMV Petrom	2.700.000
2.	Vodafone România	2.500.000
3.	BCR	2.000.000
4.	Coca-Cola HBC	1.000.000
5.	Transgaz	964.000

Total amount invested		9.164.000
The first five companies in 2009		
1.	OMV Petrom	4.000.000
2.	Vodafone România	3.800.000
3.	BCR	2.000.000
4.	Banca Transilvania	1.280.000
5.	Raiffeisen	1.209.000
Total amount invested		12.289.000
The first five companies in 2010 (provisionally)		
1.	Transgaz	2.000.000
2.	UniCredit Tiriac Bank	800.000
3.	Tuborg România	780.000
4.	A&D Pharma	470.000
5.	Carpatcement	300.000
Total amount invested		4.350.000

Source: processing by data from sites:
<http://www.responsabilitatesociala.ro>;
<http://www.forumuldonatorilor.ro/proiecte>

From the table above we can see that the total amount allocated to social campaigns registered an upward trend during 2006-2009, despite the financial crisis that characterized the second half of the range considered. 2010 is presented only in a provisional manner, because many companies have not yet said the budget for this financial year.

5. Instead of conclusions ... limitations of the study on CSR in Romanian

Companies (multi)national, including social elements in their business strategy can help increase the welfare of society as a whole and at the same time, can gain in terms of corporate image, which will undoubtedly increase the financial performance their theory of the circle as "virtuous". However, in Romania often confuse CSR with philanthropy, corporate involvement is based in particular on occasional donations and sponsorships, without a strategic dimension, in line with corporate long-term objectives. Then, some areas are neglected, as can be seen from the study undertaken, namely: *human rights, cultural projects, medical and scientific research, drug use etc.* Thus, CSR should be considered in Romania to turn its attention especially on environmental issues,

the programs dedicated employees and the implementation of quality standards and less on charity.

Another problem we face when we want a more comprehensive analysis of the situation of CSR in Romania is the lack of transparency regarding the information provided. In this regard, the main limitations of the study undertaken can be summarized as:

- Lack of transparency of all relevant information to analyze the current situation of CSR in Romania;
- Difficulty in verifying the accuracy of information provided by the companies studied;
- Not publication or partial publication of budgets for social actions;
- Not publication budgets by type of social actions;
- Many companies, especially, national make no statement on the CSR issue that hampers the analysis and comparability of national.

In addition, the event analyzed the financial crisis distort the relationship between social performance-financial performance, as manifested in a higher level of corporate and then can not be tested in a relevant way relationship: social performance-financial performance.

Beyond these shortcomings, we find, however, that in Romania CSR is perceived more as a tool to promote company image and not as a long term commitment to contribute to the development of the modern society. In these circumstances, even if CSR is promoted in Romania, especially by multinational companies, however the main problem is the realization that CSR is not just a tool to promote the company image, but an essential element of long-term success, knowing because a company is sustainable if it is economically efficient, socially responsible and environmentally committed.

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Financial Statement Strategy and Evaluation

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Abstract

Without taking into account their nature, risks have consequences for the financial bill which are often very important.

For this reason, the attention given to the problem of protection against risks by the management has grown tremendously.

Risk management consists of all concepts, measures and actions taken by the management entities to identify, capture, monitoring, analysis and management of exposures to risk and uncertainty of their work.

Key words: knowledge, consulting, capital management, market

J.E.L. classification: M 41

1. Introduction

The disclosures focus on the risks arising from financial instruments and on how they were managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

For each type of risk that comes from financial instruments, an entity shall:

- Exposure to risk and how they occurred;
- Objectives, policies and processes for managing risk and the methods used to assess risk, and
- Any adjustments in the above information from the previous period.

For any type of risk arising from financial instruments, an entity must submit summaries of quantitative data on its exposure to that risk at the reporting date. This presentation should be based on information provided internally to key management personnel of the unit (for

example, the entity's board or executive director).

If the quantitative data presented at the reporting date are not representative of an entity's exposure to risk during the period, an entity will provide additional information to be representative. Derivatives are used to cover the main elements of risk. They are measured at fair value and its changes are recognized in the income statement. There are few cases where derivatives do not qualify for hedge instruments.

2. Risks associated with financial instruments

Derivatives have emerged from the need to protect companies against various risks that characterize business today. Of these posts, due to their implications for financial risks. They reflect the failure of an entity's cash flows in comparison with financial obligations. Shows the degree of financial risk protection amounts of money involved in financial markets in the form of deposits in the banking sector or capital market investment, or of the insurance.

Consequences of occurrence of this type of risk are:

- obtaining resources at high prices;
- the obligation to abandon or delay certain investments provided;
- the obligation to transfer assets at inappropriate times and in bad conditions;
- failure of one or more undertakings, which puts the company in difficult situations affecting their credibility;
- unable to return to a decision to alter a previous strategy.

Cash flow risk, which is that the value of future cash flows associated with a monetary financial instrument will fluctuate.

2.1. Credit risk

An entity shall disclose for each class of financial instruments:

- The value that best represents its maximum exposure to credit risk at the reporting date without taking into account any collateral held or any improvement in credit rating;
- The amount shown under the preceding paragraph, a description of collateral held as insurance or other credit rating improvements;
- Information on credit ratings for financial assets that are neither past due nor impaired, and
- Book value of financial assets that would in any other case, arrears or impaired whose terms have been renegotiated.

Activities that generate maximum exposure to credit risk and credit risk associated include, but are not limited to:

- Loans and receivables to customers and placing deposits with other entities (in this case, the maximum exposure to credit risk is the carrying amount of related financial assets).
- Concluding contracts in derivatives - foreign exchange contracts, interest rate swaps and credit derivatives. If the assessment result is given asset at fair value, the maximum exposure to credit risk at reporting date is equal to book value.
- Providing financial guarantees, the maximum exposure to credit risk is the maximum amount that the entity may be required to pay if the guarantee is executed, a value could be significantly higher than the amount recognized as a liability.
- Completion of a credit commitment is irrevocable over the life of the facility or is revocable only in response to a significant adverse change.

If the issuer can not settle the loan commitment net in cash or another financial instrument, the maximum exposure to credit risk is equal to the full amount of commitment. This is because it is uncertain

whether the amount of any unused payments can be used in the future. This may be significantly greater than the amount recorded as a liability.

2.2. Liquidity risk

An entity shall disclose:

- Maturity analysis for financial liabilities showing the remaining contractual maturities, and
- A description of how it manages the liquidity risk inherent in the foregoing.

In preparing the contractual maturity analysis for financial liabilities, an entity uses its professional reasoning to determine an appropriate number of intervals, so that an entity can be established that are appropriate for the following intervals:

- Intervals of less than one month;
- Intervals between one month and three months;
- Every three months to one year, and
- Ranges from one to five years.

When the time of year can choose a partner who pays an amount, the debt is included using the first day that the entity may be required to pay. For example, financial liabilities such an entity may be required to pay in advance, upon request, are included in the first period.

When an entity is obligated to pay certain sums in installments, each installment is allocated to the first period in which such entity may be required to pay.

For example, an unused loan commitment is included in the period covering the first day on which it can be used.

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:

- Gross liabilities arising from finance leases - before deduction of financial charges
- Prices specified in forward contracts to acquire financial assets in cash;
- Net amount of interest rate swaps with floating rate payment and fixed rate charged for exchanges that are net cash flows;
- Contractual amounts to be transferred to a derivative which are gross trade flows, and
- Gross loan commitments.

Such undiscounted cash flows differ from the amount included in the balance sheet because the amount is based on discounted cash flows.

Where appropriate, an entity shall analyze separately the derivatives of the derivative financial instruments in the analysis of contractual maturities of financial liabilities.

It would be fair to distinguish between cash flows from derivative financial instruments and derivative financial instruments if the cash flows arising from derivative financial instruments are settled gross.

This is applicable because the gross cash outflow may be accompanied by a corresponding entry.

When the amount that has to be paid has not been fixed, the amount presented is calculated by reference to conditions that existed at the reporting date., namely when the amount payable varies with changes in the index, the amount shown is based on the index at the reporting date.

2.3. Market risk

An entity shall disclose:

- A sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by the changes, reasonably possible after that date, the relevant variable risk;
- Methods and analysis used in drawing up proposals for sensitivity to, and
- Changes compared to previous methods and assumptions used and the reasons for such changes.

If an entity prepares a sensitivity analysis, such as value at risk, that reflects interdependencies between risk variables - interest rates and exchange rates - and uses this analysis to manage financial risks, the entity may use that sensitivity analysis .

The entity also must disclose:

- an explanation of the methodology used in preparing such a sensitivity analysis and key parameters and main assumptions underlying the data provided, and
- an explanation of the objective method used and limits that could arise because

the information is not fully reflect the fair value of assets and liabilities involved.

When the sensitivity analysis are not representative of a risk inherent in a financial instrument, it shall disclose that fact and why it believes the sensitivity analysis are not representative.

Entity should perform sensitivity analysis for each type of risk to which it is, so it should compile information to be presented in the overall picture without combining information with different characteristics about exposures to risks of economic environments that are very different. For example:

- An entity that sells financial instruments could present this information separately for financial instruments held for trading to those who are not held for trading.
- An entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas with very low inflation.

If an entity is exposed to only one type of market risk and only in an economic environment will not disclose disaggregated.

Sensitivity analysis must show the likely effect of changes in the relevant risk variable (eg main market interest rates, exchange rates, equity prices or commodity prices) on the profit or loss and equity.

To this end:

- entities are not required to determine the profit or loss, if the risk variables were different it would have been relevant. Instead of this, entities have the effect on profit or loss and equity on the balance sheet date assuming that a change was likely relevant risk variable at the balance sheet and that it had been applied to the exposures that existed at that time. If an entity has a variable rate debt at the end, the entity would have the effect on profit or loss - ie interest costs - for the current year if interest rates have varied amounts likely.
- entities are not required to disclose the effect on the profit or loss and equity if any change is likely within a range of relevant risk variable changes. Introducing the effects of changes in extremes of range would probably be sufficient.

When determining a modification is likely relevant risk variable, an entity should consider:

- economic environments in which they operate. A change would be likely to include "the worst expectations" or "strength tests. Moreover, if changes in the underlying variable rate risk is stable, the entity must not change the probable change in risk variable.
- the time the assessment is made. Sensitivity analysis will show the effects of changes that are very likely in the period which lasts until the new entity will present this information, a period which is usually the next annual reporting period.

2.4. Interest rate risk

Interest rate risk arises from interest bearing financial instruments recognized on the balance sheet (eg loans, debts and debt instruments issued) and certain financial instruments are recognized not.

2.5. Currency risk

Exchange rate risk or exchange rate risk arises from financial instruments that are denominated in foreign currency, ie in a currency other than functional currency are measured. In the context of IFRS 7, no currency risk arises from financial instruments that are elements of the monetary or financial instruments denominated in the functional currency.

2.6. Other price risks

Other price risks arising from financial instruments due to changes in commodity prices or equity prices. An entity could have the effect of a fall in a specified stock index, commodity prices and other risk variables. If an entity gives residual value guarantees, warranties, which are financial instruments, the entity shows an increase or decrease in value of assets to which the guarantee.

There are two cases of financial instruments which may give rise to equity price risk:

- if they have equity in another entity and
- where investments are made in a fund, which in turn holds investments in equity instruments.

These cases include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in market prices of equity instruments based.

Financial instruments that an entity has classified as equity instruments are not revalued. No profit or loss nor equity will not be affected by equity price risk of those instruments. Therefore, there is no analysis of the sensitivity required.

3. Conclusions

An entity will provide information through which the users of financial situations can evaluate the nature and size of the risks that came from financial instruments and where the entity is exposed at the reporting date. In addition, disclosures may be provided either in the financial statements or incorporated in the financial statements by cross-reference to other situations, such as comments on risk management or risk report is available for users of financial statements under the same conditions as financial statements and at the same time.

Without the information incorporated by cross-references, financial statements are incomplete.

The first stage of an effective risk management and risk assessment is to identify sources of risk and related business entity, by careful analysis of the external environment and internal organization.

The next step is the monitoring of risks by implementing appropriate mechanisms. This step must be doubled by the performance assessment of the risk control process carried out by managers at all levels aware of the importance of this activity and appointing staff to ensure its proper deployment.

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Accounting Hedge Operations of a Fair Value

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Abstract

Accounting hedge operations of a fair value against risks aims to protect the assets, liabilities, unrecognized firm commitments or part of the risk against the amendment because the fair value of interest rate fluctuations, exchange rates or prices of goods.

Key words: financial instruments, risks, financial performance knowledge, capital management

J.E.L. classification: M 41

Users of financial statements need information about an entity's exposure to risks and how those risks and managed. Such information can influence a user's assessment of the financial position and financial performance of an entity or the amount, timing, and uncertainty of its future cash flows. Greater transparency regarding those risks allows users to make more informed judgments about risk and return. Entities should describe the nature and extent of risks arising from financial instruments.

The International Accountability Standards referring to the financial assets and debts have been drafted out of the desire to reflect in accountability some of the most spectacular evolutions that have taken place on the global financial markets during the last decades.

By the agency of these norms, the accountability practice has been brought up to day in order to reflect undeniable economic and financial realities, like the very frequent use of the products of the financial market with the goal to obtain the necessary resources to develop the activity, make

investments or protect the business against the different risks of a financial nature.

In the perspective of a necessary and expected development of the Romanian capital market the Romanian companies will appeal more and more to the financial instruments.

As a consequence, their accountancy and presentation and the description of the information concerning the individual or consolidated accounts and the analysis of the impact of using it on the performances and financial position of the entities become very actual subjects for the Romanian professional accountants, for whom the aspects described in the paper proposed to be elaborated get more and more utility.

Accounting hedge operations of a fair value against risks aims to protect the assets, liabilities, unrecognized firm commitments or part of the risk against the amendment because the fair value of interest rate fluctuations, exchange rates or prices of goods.

An operation to cover the fair value will be charged as the followings:

- gain or loss resulted from revaluation of hedging instruments at fair value or the value of its currency accounting assessed in accordance with IAS 21 for a tool to hedge against risks nederivat will be recognized immediately in the profit and loss.
- gain or loss related to a covered item that can be attributed to the risk cover will be adjusted at the value of the item covered and will be recognized in the profit and loss.

This principle applies if an item is covered in other conditions evaluated at cost. Recognition in profit and loss of earnings or loss attributable to the risk covered is

covered if the item is available for sale financial asset.

For a fair value hedge of the exposure of a portion of a portfolio of financial assets or financial liabilities at the risk of interest rate, method of counting presented above can be achieved by presenting earnings or losses that may be presented to the covered item risk:

- in a single element - the active line, for those periods in which the revaluation of the item covered against risk is an asset, either
- in a single element - separate line in debt, for those periods in which the revaluation of the item covered against risk is a duty

Separate line-items referred to in previous paragraphs will be presented along with financial assets or financial liabilities. Values included in these elements - line will be removed from the balance sheet when the assets or liabilities that are related are derecognized.

Only if certain risks that can be attributed to an item covered against risks are covered against risk, recognized changes in the fair value of assets covered against risks that are not related to the risk is already covered in the profit and loss when the entity entitled to receive payment is established.

An entity will discontinue hedge accounting prospectively specified above if:

- hedge against the risk expires or is sold, completed or exercised;
- coverage no longer meets the criteria to use hedge accounting or
- revoke the appointment by the entity.

When an unrecognized firm commitment is designated as a covered against risk, the amendment in the aggregate fair value of the firm commitment that is attributable to the risk covered is recognized as active duty or in the corresponding gain or loss recognized in the profit and loss. Changes in the fair value of hedging instruments against the risk are also recognized in the profit and loss.

If an entity enters into a firm commitment to acquire an asset or to assume a debt that is a covered against risk in a fair value hedging against risks, the initial value of the asset or debt arising from that entity and a firm commitment is honored adjusted to include changing the aggregate fair value of the firm commitment that is attributable to the

covered risk was recognized in the balance sheet.

In category low coverage operations included those hedging links through which it aims to cover the risks of individual items.

Covering against the interest rate risk is performed for items such as:

- loans and receivables generated by the entity or assets available for sale, bearing fixed rates;
- debt bearing fixed rates and are not held for trading.

Some examples of relationships of the fair value of hedging against such risk are presented in Table 1.1.

Table 1.1. Covering against the interest rate risk

The covered element	The covering instrument	The covered risk
Decreased rate	Interest rate swap that pays a floating rate and receives a fixed.	Variability of the value of a fixed-rate debt.
Growth rate	Interest rate swap that pays a fixed rate and receives a floating.	Variability asset value of a fixed rate.
Decreased rate	Buying a futures contract or a forward contract to purchase, with the active support of a fixed-rate debt.	Variability of the value of a fixed-rate debt.
Growth rate	Selling a futures contract or a forward contract of sale, with the support activ a debt with a fixed rate.	Variability asset value of a fixed rate.
Growth rate	Buying a "cap".	Change the value of a fixed-rate assets resulting from fluctuations in interest rates over the limit set in the "head".
Decreased rate	Buying a "floor".	Change the value of a fixed-rate debt resulting from interest rate fluctuations under the level set to "floor".

Source: KPMG, IAS – *Financial Instruments Accounting*, KPMG International, September 2000, p. 128.

Suppose that a company bonds on 01.01.2006 with maturity over 3 years, at nominal value of 50000 USD, with an interest rate of 7%, payable annually. The company would prefer to pay a variable rate. To do this, it contracts an interest-rate swaps with notional value of 50000 USD , which pays LIBOR and receives a fixed rate of 7%.

Evolution of the LIBOR contract period is as follows: 7% in the first year, 5% in the second year and 9% last year. Derivative coincides with the maturity of the loan bond. Initial fair value of swap is zero, which is why contract not generate any accounting entries.

Management entity to designate a relationship derived from a fair value hedge against interest rate risk. Operation is considered very effective. Issuance of bonds is recorded as following:

Accounts at banks from issuing loans=Bond 50000 \$

Net flows of Treasury related derivatives during the three periods are calculated in Table 1.2.

Table 1.2.

Year	Variable interest rate LIBOR	Fixed interest rate	Cash flows estimated at exit	Cash flows estimated in entering	Net flows of Treasury
1	7%	7%	(3.500)	3.500	0
2	5%	7%	(2.500)	3.500	1000
3	9%	7%	(4.500)	3.500	(1000)

In year 1, determine the fair value of swap by updating the estimated net flows of Treasury year 2 using LIBOR (5%).

$1000 / (1 + 0.05) + 1000 / (1 + 0.05) (1 + 0.05) = 1859 \text{ USD}$

Therefore, change the fair value of derivatives has not been a gain of U.S. \$ 1859.

Swap (financial debt) =Unachieved gain from covering operations 1859 \$

Change fair value of debt, calculated by updating the flow coming in the form of a loss recorded in the results (50000 USD - 51859 USD).

$3500 / (1 + 0.05) + 53500 / (1 + 0.05) (1 + 0.05) = 51859 \text{ USD}$

3500 where the flow is the annual interest due, and the 53500 USD and is considering the loan repayment period to end.

Article accounting is appropriate:

Unrealized loss of loans=Operations cover the issue of bonds 1859\$

Interest paid in the first financial year for bonds issued are as follows:

Interest expenses=Bank accounts 3500 \$

The following year, the entity recorded a net settlement of swap in which the receiving 1000 USD, which they distributed among the related interest income from financial debt

previously recognized (1859 USD x 5%) and the claim itself. Registration will be related accounts:

Accounts at banks=% 1000 \$

Income 93 \$

Swap (financial debt) 907 \$

Also, the flows were estimated at -1000 USD for three of the century through the interest rate of 9% [$1,000 / (1 + 0.09) = (917)$] is an conversion of swap of debt financial debt and a loss of unrealized fair value changes. Article accounting is appropriate:

Unrealized loss of = % 1869 \$

Swap operations coverage (financial debt) 917 \$

Swap (financial debt) 952 \$

Interest expense recorded by the entity issuing the bonds is U.S. \$ 51859 x 5% = 2593 USD. Therefore, payment cash flows of U.S. \$ 3500 generates the following accounting:

% = Accounts at banks 3500 \$

Interest expense 2593 \$

Loans with issued bonds 907 \$

Present value of debt in the second year is $53500 / (1 + 0.09) = 49083$. It is noted that the debt is reduced from 51859 to 49083, which generates a gain unfulfilled.

Loans from the issue=Bond operations coverage of unfulfilled gain 1859 \$

In the last year of the contract, the entity record swap settlement and payment of 1000 USD expense to distribute the interest on financial debt represented swap ($917 \times 9\%$) and debt balance.

% = Accounts at banks 1000 \$

Interest expenses 83 \$

Swap (financial debt) 917 \$

Interest expense on the debt this year is $49083 \text{ USD} \times 9\% = 4417 \text{ USD}$. Accounting for relevant are:

Interest expense = % 4417 \$

Accounts at banks 3500 \$

Loans of programs bond 917 \$

At the end of the debt is repaid.

Borrowing programs = Accounts at banks 50000 \$

In all three periods of the relationship of coverage, efficiency is 100%, any change to the fair value of the loan is perfectly offset by the hedging derivative instrument. For this reason, changes in market interest rate do not affect any duty not its results.

Hedge accounting recognizes the offsetting effects on the symmetric profit or net loss for the fair value changes of hedging instrument and related events that are covered.

When a company booked a financial instrument as an instrument for hedging risks associated with anticipated future transactions, then the company will present the:

- description of anticipated transactions, including the time period until the emergence of risk is assessed;
- description of the instruments for hedging risks;
- value of any gains or losses deferred or unrecognized and when the expected recognition as income or expense.

An enterprise should present all gains or losses occurred in the financial risk to cover anticipated future transactions, whether those gains or losses have occurred or not in the financial statements.

Conclusions

An entity will provide information through which the users of financial situations can evaluate the nature and size of the risks that came from financial instruments and where the entity is exposed at the reporting date. In addition, disclosures may be provided either in the financial statements or incorporated in the financial statements by cross-reference to other situations, such as comments on risk management or risk report is available for users of financial statements under the same conditions as financial statements and at the same time. Without the information incorporated by cross-references, financial statements are incomplete.

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The Dashboard and Performance Improvement of the Company

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Abstract

The dashboard is a way of framing, selecting, arranging and presenting of the indicators that allow for an overview of the general trends in the evolution kept under scrutiny. Depending on the objectives that it sets and monitors, an enterprise can build its own representation of the required dashboards.

The performances for each activity are assessed by means of indicators whose levels and trends will be compared with the previous objectives, rules or results. At each of these levels, the activity can be retained as representative.

Key words: efficiency, frequency, balance indicators, indicators of anticipation.

J.E.L. classification: G3; G32; G34

1. Introduction

The enterprise as a complex, adaptive system, with a specific purpose and open towards the environment, can be considered as a set of subsystems. In terms of management, the enterprise includes the leading subsystem, the led subsystem and the informational subsystem, which guarantees the relationship between the former two.

The purpose of the enterprise system which includes meeting the objectives set by strategy requires a system of performance analysis within the decision-making system. Building such a performance analysis system mainly requires solving the following problems:

- Establishing the organizational subdivisions required to receive information regarding the achieved performance;
- Specifying how the decision centers of the means of disclosure concerning the activities conducted;

- Coordination of organizational subdivisions which receive information concerning the performance achieved in the operational subsystem.

2. Performance improvement of the company

The dashboard consists of a set of indicators presented in a synthetic manner and with a correlated periodicity, which should allow the responsible person to react quickly, should any problem arise.

The metaphorical use of this term, which originated in the automotive and aviation fields, properly translates the range of business management responsibilities. It is important to understand that such an instrument is not effective unless it provides information "in due time."

The dashboard has the following four important functions:

- the function of informing the manager regarding the state of the managed field;
- the function of warning regarding certain unfavorable situation or certain deviations from the norm;
- the function of assessing the obtained results as far as objective achievement is concerned and, implicitly, of the quality of the decisions and of the actions taken in order to implement said decisions;
- the decisional function, meaning that the pertinent information, sent to the managers in various hierarchic positions, allow founding and making the adequate decisions.

Regardless of the version it chooses to manifest itself - the restricted dashboard, with a relatively low level of information, or the complex dashboard, destined for broader information, with reference to all aspects of the queried activities, it must simultaneously be:

- consistent, i.e. to comprise relevant, synthetic and exact information regarding the managed fields;
- rigorous, i.e. to comprise rigorous information, based upon the real emphasis on economic phenomena and real-time transmission of the information needed to get it completed;
- synthetic, i.e. to comprise information with different degrees of aggregation, according to the hierarchy of the beneficiary of these pieces of information;
- accessible, i.e. to facilitate the understanding and operative and complete use of the information, clearly and explicitly presented;
- balanced, i.e. to emphasize the information regarding the economic, social, managerial etc. phenomena and processes, in proportions able of reflecting their importance in the scrutinized field;
- expressive, i.e. to use adequate visualizing forms (value tables, graphics etc.);
- adaptable, i.e. the dashboard can be modified according to the modifications brought to the enterprise's activities or management;
- economic, situation given by the superiority of the effects comparable to the efforts reclaimed by completing, transmitting and using it.

Regardless of the type of dashboard chosen, the important element is its content. According to experts, a dashboard includes information regarding the results obtained in the operational area, as evidenced by means of:

- the value tables, which have inserted the expected level of the objectives, the level of the results obtained in the period to which they relate, the spread, the achievement index for the objective and the causes which led to positive or negative deviations. The most important part of the values table is the indicator.

First, the indicator is a numeric expression of the quantitative aspect of economic phenomena and processes, in concrete circumstances of time and place.

A second problem concerns the system of indicators to be chosen to define as accurately and relevantly as possible the

objectives, results and - wherever necessary - the mission of the company or its components that the dashboard is based upon. In this area there are several constructive variants of the system of indicators, but we cannot talk about a recipe for any type of company.

Although we cannot highlight a coherent, representative system of indicators, enterprises use several types:

- quantitative and volume indicators: 1) of efforts, for example, production costs, fixed capital, number of employees, 2) of effects, such as profit, turnover, production of manufactured goods, physical production, etc.
- qualitative or efficiency indicators: work productivity, average wages, rates of return, liquidity and solvency, cash rate, rotation speed of current assets, etc.
- the graphs, with the help of which it is best to illustrate the trend of indicators or indices in a given time interval;
- the mixt forms, value tables - graphs.

The basic principles of designing the dashboard are:

- Consistency is monitored in two ways:
- Consistency of the dashboard with the enterprise chart;
- Transverse consistency.

The information provided by the dashboard must respect the hierarchical line of business. The dashboard is not identical for all components of the hierarchical chain. To allow an aggregation to a higher level, the dashboards of compartments with identical functions in the same hierarchical level must have the following elements in common: the same performance indicators, the same definition of indicators, the same data source.

- Relevance, i.e. the dashboard should contain essential information that adequately highlight the center objectives achievement. The indicators chosen should be focused on key points of the centers' performance. From the dashboard we must retain few indicators, but those indicators are essential. Synthesized information is adapted to the hierarchical level. There is no dashboard pattern, each responsible person needs to define their own information in a new manner.

- Frequency refers both to the deadline for achieving the dashboard, and to the rapidity of their distribution. The later the results are obtained, the later can one take action. Frequency of the dashboard depends on the life cycle of the decision and action of the monitored center. As we descend the hierarchy, the frequency of the dashboard is lower. Thus, at the base level, we can design daily or weekly dashboards.
- Efficiency refers to the ability of the dashboard to lead to action and to implement corrective actions. To this respect, after completing the dashboard we must proceed to the analysis of deviations, the interpretation of deviations, the formulation of corrective actions and the implementation of said actions.
- Standards, covering the objectives, previous results and assumptions. Based on these standards we calculate and interpret the results.

Dashboard design is a preliminary stage, but fundamental to the success of using the dashboard as a management tool. The main issues regarding the design concern:

- Establishing the management organizational chart- the management organizational chart is a formalized representation of the responsibilities exercised effectively and of the communication between different hierarchical levels and sectors of the enterprise. The dashboard must adapt itself to the existing organization. On the other hand, it plays the role of revealing the failures of the enterprise.
- Establishing the department or team of specialists responsible for (a) designing and ensuring the logistics required for the dashboard. Usually, given the special management importance it has in founding and taking decisions based on quality information, we recommend that the management organizing department be made accountable, and within it a group of management tools and management methods and methodologies. Should such a section not be available, a person in any other economic department or even one of advisers of the general manager may be appointed in this function.
- Setting the company's objective and its components, as well as the objectives relating to the design, completion, transfer and use of the dashboard. The company objectives are highlighted by quantitative and / or qualitative indicators that express a systemic approach, the purpose for which the enterprise and its procedural and structural components were established and operated. The purpose of determining the key points of the decision is the choice of missions and of the main objectives.
- Design of an attributions, competencies and specific responsibilities schedule which would allow to achieve the objectives.
- The in detail specification of the attributions, competencies and responsibilities of each functional and operational department involved in providing information, making up models, transmission of information or models and use of information specific to the dashboard. Basically, for a complex dashboard, all departments are involved in one form or another in carrying out the main steps required for its use.
- Determining the information needs of the information "beneficiaries" found at different hierarchical instances. The starting point is, naturally, the elements defining the position - individual goals, tasks, competencies and responsibilities. Achieving objectives and performing tasks requires a certain amount of information with a certain structure to be precisely established in advance in order to ensure a complete, accurate and timely information. It is the most difficult and at the same time, the most complex phase of the stage of design of the dashboard, since the accuracy of information requirements depends mainly on the typology and contents of specific models.
- Specifying the indicators and other methods of measuring the objectives and achievements - the choice of indicators allows awareness of the responsible persons and orienting action in the short term by controlling key points. For this purpose we analyse the indicators that seem best adapted to assess key points. The indicators used should provide a coherent system that represents the entire

business operation of the company. As the informational needs of managers situated on the vertical of the management system are different, the indicators of objectives commensuration and of the expected achievements are also different. The indicators must satisfy multiple requirements.

First, they must be capable to report an abnormal condition in the managed field - warning indicators.

Secondly, to highlight the normal state, the direction in which the managed system evolves - balance indicators.

Thirdly, the indicators used to predict and anticipate some changes and their operationalization decisions - anticipation indicators.

In addition to the indicators, an important role is played by indices, i.e. the relative sizes of the relations between the two indicators, quantitative or qualitative, in the current period and in one reference timeframe. It better highlights the tendencies manifested in a given timeframe.

- Collecting information – guarantees that there is data at the due terms and the desired frequency, calculates the indicators and measures the importance of actions to be taken. Based on the retained indicators, determine those for which there is information already available in the enterprise. For the indicators for which there is no source immediately usable, the existing data is studied and converted to the form required by the indicator.
- Adequate writing of the dashboard information use- involve the presentation of indicators in the form and on the deadlines decided upon, in order to allow for rapid and effective action. For this the final form must be established, as well as the operating rules of the dashboard.

3. Conclusions

In preparing and using the dashboard the priority is often placed on information quantity and precision, when in fact the focus should be on efficiency, that is the relevant information and action.

The finality of the dashboard is not establishing a document that shows the reached level for each defined indicator. The purpose of management control is reaching the goals and not setting the goals or analyzing the deviations. The finality of the dashboard is reaching the defined objectives, therefore it must be clearly directed towards action.

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Risk and Lucrativeness of the Financial Instruments

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Abstract

With the passing of time and as a result of progress in information technology, trading mechanisms of derivate financial instruments have evolved from the "open outcry auction" system to "electronic trading". Currently, almost all stock markets in the world use performant electronic platforms, the trading floors thus becoming a part of the modern history of stock markets.

The stock markets trade derivate financial instruments having a standard in terms of feature elements, called "contract specifications". Participants which are authorized for the stock market are the intermediaries who have the right to conclude transactions on their own behalf or on behalf of clients such as institutional investors (commercial banks, mutual funds or pension funds, insurance companies, corporations) or retail investors (individuals).

Key words: net investment, fair value, embedded derivative product, hedging operations.

J.E.L. classification: G3; G32; G34

1. Introduction

In recent years, investment opportunities encompass a wide range of financial instruments, from the classic bank deposits, shares, bonds to more sophisticated instruments such as futures, options, swaps. Consequently, it is necessary to analyze the risk-return of the financial instruments, which helps an investor make a rational investment decision. In this chapter we consider the risk and cost of a financial asset, the asset allocation decision and the optimal risk-return relationship of a portfolio of financial instruments.

The decision to invest of an investor is directly influenced by the profitability of the financial instruments. This profitability may be judged from a point of view of past (historical) performance of the title and / or from that of the expected performance (anticipated for the future).

2. Risk of the financial instruments

Risks are defined as losses associated with adverse developments in the results. Risk management is nothing but the complex of the tools, techniques and devices necessary for the bank organization to succeed. Although aimed at a future time horizon as far as the functioning of banks are concerned, bank risks can be managed, this being the novelty of risk management approaches.

The importance of risk management as a business lies in being able to predict, to a certain degree, the occurrence of the risk event and to take timely decisions to reduce the risk of possible adverse consequences. The essence of risk, which can be expressed by the possibility of a quantitative evaluation of the probabilities of occurrence of adverse situations, conditions the need for methods and mechanisms to mitigate the negative effect of the anticipated events. Knowing the potential danger and the risk impact level allows for a more effective management of said elements.

A hedged item is an asset, liability, firm commitment or transaction that is expected in the future which:

- exposes the enterprise to the risk of a change in the fair value or in the future cash flows;
- in terms of hedging accounting is designated as being hedged.

A hedging instrument, in accounting terms, is a designated derivative or another financial asset or financial liability whose fair value or cash flows are expected to compensate changes in fair value or cash

flows of a designated element defined as a hedged element. However, according to IAS 39 Financial Instruments, recognition and measurement of a financial asset or of a non-derivate financial liability may be designated as a hedging instrument for hedge accounting only if they hedge the risk of exchange rate changes.

Hedging efficiency is the extent to which fair value compensation or cash flows attributable to a hedged risk are achieved by the hedging instrument.

A hedged item can be a recognized asset or liability, an unrecognized firm commitment, highly probable forecasted future transaction or net investment in a foreign operation. The hedged element can be:

- a single asset, liability, firm commitment, highly probable forecast transaction or net investment in foreign operations;
- a group of assets, liabilities, firm commitments or highly probable forecast transaction or net investment in foreign operations with similar risk characteristics;
- the cover portfolio against interest rate risk only, a portion of the portfolio of financial assets or financial liabilities that share the risk that was hedged.

A firm commitment to purchase in a business combination can not be a hedged item, except for the exchange risk, as the other risks meant to be hedged can not be identified or measured reliably. These other risks are general business risks.

Unlike loans and receivables, an investment held-to-maturity can not be a hedged item in terms of interest rate risk or advance payment risk because designation of an investment as being held to maturity requires the intention to maintain investment until the due date regardless of changes in fair value or cash flows of such investments attributable to changes in interest rates. However, an investment held to maturity may be seen as a hedged item in terms of risks and fluctuations in exchange rates credit risk.

An investment accounted for under the equity method can not be a hedged item in a fair value hedge against risks as the equity method recognizes in either profit or loss the investor's part of the profit or loss of the

associated entity rather than changes in fair value investment.

For a similar reason, an investment in a consolidated subsidiary can not be a hedged item because consolidation recognizes in either profit or loss the profit or loss of the subsidiary rather than changes in fair value of the investment. A hedge of a net investment in a foreign operation is different because it is a hedging of an exposure to currency risk, not a hedging of the fair value against changes in the value of investment risks.

In the context of hedge accounting, only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party outside the entity can be designated as a hedged item. Therefore, hedge accounting can be applied to transactions between entities or segments in the same group only in the financial or individual statements of those entities or of their segments, and not the group's consolidated financial statements.

As an exception, foreign exchange risk for a financial item within the group - for example, a claim or an amount due for payment between two subsidiaries - may qualify as a hedged item in the consolidated financial statements if it results in exposure to losses or gains from exchange rate differences that are not fully eliminated upon consolidation under IAS 21 "Effects of Changes in Foreign Exchange Rates". Under IAS 21, gains and losses from exchange rate intra-group monetary items are not fully eliminated upon consolidation when the intra-group monetary item is transacted between two group entities that have different functional currencies.

Also, the currency risk of an intra-group transaction that has a great likelihood of occurring may qualify as a hedged item in consolidated financial statements, provided that the transaction is denominated in currencies other than the functional currency of the entity that initiates the transaction and the currency risk will affect consolidated profit and loss account.

All of the above state that in consolidated financial statements the currency risk in a intra-group transaction that is very likely to occur may qualify as an item hedged against cash flow risks, provided that the transaction is denominated in another currency than the functional currency of the entity that initiates the transaction and the currency risk will

affect the consolidated profit and loss account. For this purpose, an entity may be a parent, a subsidiary, an associate, a joint venture or a branch.

If a forecasted transaction currency risk within the group does not affect the consolidated profit and loss account, the intra-group transaction can not qualify as a hedged item.

Unlike IAS 39, U.S. GAAP does not permit hedging currency risks unless the hedged item is an investment held until maturity. However, American accounting rules accept applying accounting operations for hedging of changes in the fair value of prepayments operations incorporated in such a placement.

Another difference between the two standards refers to the use of accounting for hedging forecasted transactions to be reviewed and whose value changes are recognized in the profit or loss account. While international standards do not deal with this issue, the U.S. ones prohibit considering such a forecast transaction as the hedged item.

Hedging operations are of three kinds:

- fair value hedging- for the hedging of changes in the fair value of a recognized asset or liability or of an identified segment of such asset or liability that may be assigned to a particular risk and which will affect the reported net income. Hedging an unrecognized firm commitment to buy or sell an asset at a fixed price established in the company's reporting currency is accounted for as cash flow hedging, even if it is exposed to the fair value risk;
- cash flow hedging- hedging for the flow related to the cash flow variability which can be attributed to a particular risk associated with a recognized asset or liability or a forecasted transaction affects net profit and net loss reported;
- hedging a net investment in a foreign entity, as defined by IAS 21 "Effects of Changes in Foreign Exchange Rates".

When a company has accounted for a financial instrument with an instrument to hedge risks associated with anticipated future transactions, then the company will present:

- Description of anticipated transactions, including the time until the risks are estimated to occur;

- Description of the hedging instruments;
- The amount of any deferred or unrecognized gains and losses and when their recognition as income or expense is expected to occur.

An enterprise should present all gains or losses incurred in the financial instruments for hedging anticipated future transactions, whether those gains or losses have been featured or not in the financial statements.

If the hedged item is a financial asset or financial liability, it can be a hedged item in respect of the risks associated with only a portion of cash flows or fair value, provided that its effectiveness can be evaluated. Thus, a portion which is identifiable and can be assessed independently from the interest rate exposure for an asset that produces interest can be classified as being hedged.

If part of the cash flows of a financial asset or financial liability is designated as a hedged item, that part must be less than the total cash flows of the asset or liability. In the case of a liability whose effective interest rate is below LIBOR, an entity may not designate:

- Part of the debt equal to the capital plus LIBOR interest;
- Some negative residual.

However, the entity may designate all cash flows of the entire financial asset as hedged item and only hedge them in case of a certain risk. The entity may also choose a hedging index, other than one to one, in order to improve the effectiveness of the hedge.

When hedging the fair value of a portfolio of financial assets or financial liabilities designated the hedged portion can be defined rather as an amount in a given currency than as a sum of individual assets. Although the portfolio may, for risk management, include assets and liabilities, the amount designated is a value of assets or a value of debt. The entity may cover a portion of the interest rate risk associated with this designated amount. In the case of hedging of a portfolio containing assets that can be paid in advance, the entity can hedge changes in fair value attributable to changes in the hedged interest rates based on the expected reassessment data rather than on the basis of the contractual values.

From all of the above it follows that if a portfolio that contains elements which can be paid in advance is hedged with a derivative instrument that cannot be paid in advance,

there is ineffectiveness bound to occur if the dates when the items hedged in the portfolio are expected to generate advance payment are changed or if the real dates of prepayment differ from those expected.

Representative derivatives are futures and forward contracts, swaps contracts and options contracts. A derivative usually has a standardized value on financial markets, called notional value, which is the value of a currency, a number of actions, a number of units of weight or volume or other units specified in the contract. However, in case of a derivative, it is not requested that the seller should invest or receive the notional value at the beginning of the contract. On the other hand, in case of a derivative, it could require a fixed payment as a result of a future event that does not depend on a notional amount. It is the practical application of comparative advantage.

The basic and defining element of a derivative is that it requires a smaller initial net investment compared with other contracts that respond similarly to market conditions. An option contract meets the conditions of this definition because the premium is significantly lower than the investment that would be necessary to obtain the basic financial instrument that this option is correlated with.

Derivatives, following the criteria of differentiation of financial assets and financial liabilities that are generated by the accounting of the holder, namely:

- debts held for trading are derivative debts which are not hedging instruments and are, for example, the obligation to deliver securities borrowed by a non-hedged seller. The fact that a debt is used for financing commercial activities does not mean that debt is held for trading.
- loans and receivables generated by the company are of the nature of a loan obtained by an enterprise as part of a loan from another lender. This is considered to be issued by the enterprise after the loan was made by the other lender.
- loans and receivables obtained by an enterprise (not issued by it) are properly classified as held to maturity, available for sale or held for trading, as appropriate.

- available for sale financial assets are classified as available for sale if not part of one of the other three categories of financial assets - held for trading, held to maturity and loans or receivable created by the company.
- embedded derivatives - a derivative may be a component of a hybrid derivative instrument that includes both a derivative and a basic contract having as effect the change in how the cash flows generated by the derivative is similar to that of a stand-alone instrument.

If, according to the rules required by IAS 39 Financial Instruments: Recognition and Measurement, a company must separate an embedded derivative from its basic contract, but is not able to evaluate the embedded derivative separately either at the time of purchase or at a subsequent financial reporting date, it must care for the entire combined contract with a financial instrument held for trading.

The general initial recognition rule imposed by IAS 32 and IAS 39 is that an enterprise should recognize a financial asset or financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. After initial recognition, an enterprise should assess the financial assets, including derivatives that are assets, at fair value without any deduction for transaction costs that may arise from sales or other outputs, except for the following categories of financial assets which should be evaluated differently.

These financial acts which are excluded from the assessment based on fair value and which have a maturity must be evaluated for the amortized cost using the effective interest rate method. All financial activities should be tested for appreciation. There is a presumption that fair value can be determined reliably for most financial assets classified as available for sale or keeping for trading. However, this assumption may be mistaken for an investment in the case of a placement in an own capital instrument which does not have a quoted price in an active market and for which other methods of estimating fair value are clearly inappropriate or inoperable. If a financial asset must be measured at fair value and its fair value is negative, it is accounted for as a financial liability.

Hedge accounting recognizes the offsetting effects on profit or loss related to changes in the fair value of the hedging instrument and of the hedged item.

3. Conclusions

As a general rule, derivative instruments are not covered (except for options purchased which are compensated by the options issued). The key requirement is that the hedged item must expose the entity of a risk which is identifiable separately and which can be assessed during the hedging operation. Such risks are: the interest rate risk, the currency risk, the goods price risk and the credit risk.

Investments held to maturity cannot be designated as hedged items in the case of interest rate risk because they do not imply recognition of its change. The interdiction covers both the change in fair value hedge of a fixed rate instrument and the risk of variation of cash flows from interest on a floating rate instrument. However, investments held to maturity may be protected against credit risk or currency risk. Expected buying of an asset to be held to maturity and reinvesting cash flows generated by such a placement can be hedged.

The hedged item can be an individual or may be part of a group that has similar risk characteristics. This means that changes in fair value attributable to the hedged risk for each individual element must be approximately proportional to the total change in fair value attributable to the hedged risk in the group.

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The Impact of Leadership on the Business Performance in Romania

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Abstract

Throughout this research, I revealed several organizational factors on which leader must intervene in order to multiply the performance of his employees.

These factors are the eight leadership variables, studied throughout the paper, and included in a model..

By using these variables I was able to identify how the Romanian organizations were managed, how were the Romanian leaders perceived by their employees, how did Romanian leaders work on these eight variables critical to the effective leadership of organizations and the extent to which these variables were acting on the Romanian business' performance.

Key words: leadership, economic organization, economic performance, leadership factors, performance indicators

J.E.L. classification: M10, M12

1. Introduction

The research addresses the issue of effective leadership within the economic organizations, at a national level, based on the concepts, theories and national and international researches in this large field.

The scientific research paper is structured in two sections: the scientific background of leadership and the exploratory research that seeks to determine the impact of leadership on the organizational performance within economic organizations in Romania.

The scientific background of leadership consists of: establishing the research area - the economic organization and presenting the stage of knowledge in the field of research, that is - leadership and performance, by approaching classical theories, but also current ones, as presented by the national and international literature in the field.

The exploratory research aims to demonstrate a strong connection between leadership and organizational performance by studying Romanian leaders. The research is based on the current state of national and international knowledge in this field. Thus, this study determines the impact that Romanian leaders generate on the performance of their organizations, also by taking into account that the performance can be influenced by many factors, some of which cannot be controlled entirely by the management of these organizations.

The study explains the need for leadership in achieving business performance and it identifies the areas where the leader can lead the organization towards change and performance. Through the scientific research of the field concerned, I made a trustworthy and validated diagnosis of the Romanian leadership and of the performance of the organizations studied, thus offering the management community in our country a big picture of the Romanian leader and his effectiveness.

The objectives of the research study consisted in:

- creating a knowledge base for the advanced leadership training, research and practice in Romania;
- developing a model of excellence in leadership, that would be effective in motivating the organizations' human resources;
- proposing an instrument to easily diagnose leaders and their performance in their organizations.

Both the instrument and the model that were validated throughout the study are developed to be used by leaders. Both provide essential information to Romanian leaders interested in improving the performance of their organizations.

2. Defining the studied concepts

The universe of research is the economic organization.

Throughout the research paper, I intend to cover a number of issues related to the leadership manifested in economic organizations, because most of the world's activity is conducted within or through organizations. Regardless the manner of classifying the organization, is widely recognized that it is a group of people who are realizing common activities in order to achieve one or more objectives.

The studied concepts are both leadership and the organizational performance and especially the relationship between leadership and performance as established by the currents literature in the field.

Leaders and the ability to lead are organizational behavior topics that have been extensively investigated.

Thinking about leadership, researchers in the field responses to the question „*What is leadership?*” vary from that of Emeritus Professor Warren Bennis, a political scientist, researcher and writer, who says that "*the concept of leadership is like beauty, difficult to define but easy to recognize*", to that of Ken Blanchard, researcher and writer, who states that "*leadership relates rather to a directed way than to a meaningless walk.*" [10]

Why is it so important the ability to lead? Because those who lead organizations make things happen. And if leadership is so important it is normal to ask ourselves: *What do leaders do differently? What does it mean to be a leader? Can this level be reached?*

People were interested in the ability to lead from the moment they started to come together in groups, in order to achieve goals. Investigations on the ability to lead, that is the deliberate influence on others to achieve a goal through collective action, showed that over time, leadership proved to be vital, not only for economic organizations, but for the entire world. Thus, leadership is present every day, everywhere in society and along the history.

Under this perspective, the manager is the one who coordinates and monitors the work of subordinates and the organization's resources so that organizational goals are met. [11]

Thus, by studying the economic management theme within the organization, I will focus on the leading of the human factor. To work, the organization needs people, the right people. The activity of the employees depends on the effectiveness of the employees and especially of the leader. People in order to fulfill their duties within the organization, are waiting for the leader to establish the route, the purpose, to guide them. The leader has now become a vital element of a successful business. The organization may have all the advantages: financial resources, market position, cutting-edge technology but if it fails to leading chapter, they are simply lost and the organization goes down. [12]

The ability to lead can be defined based on multiple and different approaches of the researchers in the field. Thus, one can identify the following common operational elements of leadership, regardless the approach:

- it is a process;
- it involves influence;
- it manifests within a group;
- it involves common objectives;
- management authority may exist, but it is not required.

Concerning the importance of leadership, organizations have experienced the intense need to develop a new generation of leaders capable to prime the mechanisms of development, learning, change and performance.

Business performance can be defined by using a series of concepts, theories and definitions. The approaches range from the performance in terms of profitability, from Goldratt's definition, which stresses that "the purpose of any business organization is to make money", to those of other TOC theorists or to that proposed by total quality management up to that of Ken Blachard and Marc Muchnick, who analyzes the success of a business by evaluating three basics parameters, such as: the favorite supplier; the favorite employer; the favorite investment. [3]

Numerous research papers, theories and articles in the field state the value and the importance of leadership and also the existence of genuine association between leadership and performance.

3. Leadership's knowledge in national and international literature

Some of the most valuable writings about leadership can be found in ancient texts, especially in the texts of the Chinese philosopher, Confucius. The importance of this ancient doctrine contribution is to reveal that the individuals are able to express what is best in them through leadership, encourage and influence others to do the same. However, the interest in understanding leadership has begun to grow in the 20th Century. At the beginning of the century, it was believed that leaders are born, and studies focused on the characteristics identified by psychologists. But after many years of study, there were not identified any differences between leaders and the others.

The study is based on both classical and current theories, on researches in organizational management and human resources management, such as: Theory X - Theory Y developed by Douglas McGregor; the social relations at work developed by Elton Mayo; the need for achievement and affiliation, developed by David McClelland; Maslow's needs pyramid; Likert's leadership styles; Warren Bennis studies that have attempted to transform leadership into practice; a research study on human motivation conducted for more 10 years by the U.S. Sirota Group; J. Pfeffer's research; Romanian researches and many other. All these developed a particular and important influence on the assumptions, concepts and interpretations of this research study.

In Romanian articles and study papers there have been only few research studies in the field, some of which inconsistent in analyzing the performance of companies, others inconsistent in analyzing the leadership – performance connection. Worth mentioning researches such as: Project LIDEROM, developed by professor Năftănăilă and some other researches of the Bucharest Academy of Economic Studies; Nicolescu and Verboncu, who defined the "simbiotic leadership"; professor Vagu's, D. Popescu's; Lefter's researches in the field; the Human Synergics research on leadership, which defined several types of leaders and validated the results by statistical analysis.

4. The Exploratory Research

The exploratory research aims to demonstrate a strong link between leadership and organizational performance, based on the current state of knowledge in this field, by studying leadership within Romanian economic organization.

The exploratory research's objectives are as follows:

- Identifying the current working model of Romanian leaders, by analyzing the responses of employees to the key management policies and practices;
- The diagnosis of the current business performance as reviewed by the subjects of the study;
- The demonstration of a strong causal relationship between leadership and business performance;
- The correlation of the leadership variables with the impact that the leader has on the organization' in terms of efficiency, in order to report actual and meaningful data on the impact of each studied variable on the business performance;
- Presenting the validated model of effective leadership;
- Creating a diagnosis tool of leadership as an opportunity questionnaire;
- Providing the management community in Romania a trustworthy image of the Romanian leader and his current performance;
- Making recommendations to Romanian leaders in order to reshape perceptions of the interviewed subjects on their leaders, by applying the validated model of effective leadership.

In order to study the leadership – performance relationship, I approached key management policies and practices and elements used in measuring and analyzing performance, by considering eight key factors or variables on which the leader intervenes, namely: *vision, organization flexibility, follower's confidence in leader, communication, teamwork, the learning process within in organization, motivation through equity, motivation through fulfillment* of the employee at the workplace. These factors are the eight leadership variables, that have been studied throughout

the paper, and have been included in the leadership model, whose relevance is demonstrated by statistical data. These are the organizational factors on which a leader must intervene in order to multiply the performance of his employees.

Based on the proposed leadership model and using the eight variables of leadership, I formulated nine research hypotheses, relevant to the objectives, as follows:

H1: There is a positive correlation between leadership and business performance within the Romanian economic organizations;

H2: There is a positive correlation between the formulation and communication of organizational vision and values and business performance in Romanian organizations;

H3: There is a positive correlation between organization's flexibility and business performance in Romanian organizations;

H4: There is a positive correlation between employees' confidence in their leader and business performance in Romanian organizations;

H5: There is a positive correlation between business communication and business performance in Romanian organizations;

H6: There is a positive correlation between teamwork and business performance in Romanian organizations;

H7: There is a positive correlation between the learning process within the organization and business performance in Romanian organizations;

H8: There is a positive correlation between equity and business performance in Romanian organizations;

H9: There is a positive correlation between employees' fulfillment at their workplace and business performance in Romanian organizations.

Another key issue was the establishment of indicators used to measure performance. To measure performance, I used both financial indicators - profitability, as well as non-financial – the employee's commitment and satisfaction and the customer's satisfaction.

Using these variables I envisaged a model of excellence in leadership, which was tested in more than 50 organizations in Romania.

The applied research was conducted on a sample of 183 respondents, engaged in economic organizations active in multiple industries, from several counties (Dambovita, Constanta, Valcea, Brasov, Prahova, Braila and Bucharest). The chosen sample is representative.

The research was carried out based on a questionnaire used to question employees and leaders within Romanian organizations. The questionnaire measured two dimensions - leadership and performance - having regard to assessing the following aspects: identifying the leadership factors manifested in the organization (the first section of the questionnaire, questions 1-53), assessing organizational performance, as measured by subjects' perspective respondents (a second section of the questionnaire, questions 54 - 64), general information relating to persons under investigation, thus allowing the sample structure and differentiation of respondents.

The obtained quantitative data was assessed by using statistical analysis of data. To correct any error occurred and as well to confirm the findings obtained, the quantitative research was supplemented by a qualitative research based on data obtained from interviews.

Each leadership variable, defined in the studied hypotheses, was found, without exception, to be a significant variable in relation to performance in all surveyed companies. Therefore the formulated research hypotheses have been validated through quantitative analysis.

The strong causal relationship between leadership and performance shows that leadership is a crucial factor in achieving high business performance.

5. Conclusions

Thus, by using the mentioned variables I identified how the Romanian organizations are managed, how are the Romanian leaders perceived by their employees, how do Romanian leaders work on these eight variables critical to the effective leadership of organizations and the extent to which these variables are acting on the Romanian business' performance.

To conclude, the scientific research carried out, was finalized through the development of an effective leadership model and a diagnosis tool of Romanian leadership.

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The Importance of Leadership to the Success of Total Quality Management

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Abstract

At a first sight, there is a very powerful relationship between quality management and leadership. While leadership make us think at a soft instrument of influencing and guiding a group of people to act in a certain way, the quality of processes management is seen as a technical instrument that shapes the activities, re-projects and continuously improves them as that the final result satisfies the client.

Essentially, a careful analysis of the two concepts points to the fact that the leadership is a major premise for all the steps associated to implementing the quality management within an organization: planning, organizing, coordinating, controlling, and improving.

Key words: leadership, total quality management, process, human resources, quality

J.E.L. classification: M10

1. Introduction

By writing this work I want to highlight the importance of leadership to the success of the Total Quality Management. In this respect I studied the role of the human resources management, in general, and of the leadership, in particular, in the implementation process of the quality management in an organization.

As to highlight as well as possible the influence of leadership in the quality assurance inside an organization I have taken into account aspects as: the responsibility of the management in quality assurance; managing and orienting the human resources for quality and the Awards for Quality.

2. Conceptual borders regarding the process oriented Total Quality Management

The total quality management is represented by the totality of methods used to obtain total quality. The total quality represents a target, an objective that has to involve all the elements of the organization in order to create products or services that are satisfying the needs of the clients. Therefore, the efforts should be focused on all the activities through which the client satisfaction is gained.

The activities of an organization can be understood as being part of a certain process. **The process** can be defined as a linked ensemble of activities, that, starting from one or more inputs, transforms them generating an **output**. The one that receives the output of the process is the client and he can be either external or internal (the employee).

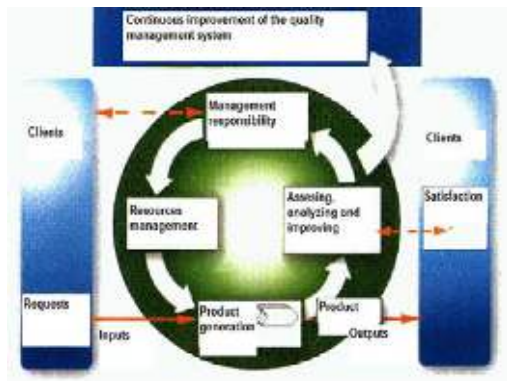
The ISO 9001:2011 Standard promotes the integration of a process oriented approach in the development, implementation and improvement of the effectiveness of the quality management system, as to increase the client's satisfaction by fulfilling its requests. [12]

As for an organization to work effective, it has to identify and manage numerous correlated activities. An activity that uses resources and it is managed as to permit the transformation of the inputs in outputs is considered to be a process. Often, the outputs resulted from a process represent the inputs for the following process.

The application of a process system in an organization, together with the identification of these processes interactions, as well as their management, may be considered a process oriented approach.

The design of a process oriented total quality management is represented in Figure 1 and shows the links between the processes of an organization. This figure shows the significant role of the clients in the requests determination, as inputs. The monitoring of the client satisfaction needs the evaluation of the information regarding the client's perception of the fact that the organization fulfilled its requests.

Figure 1. The architecture of a process-based total quality management system according to ISO 9001:2000

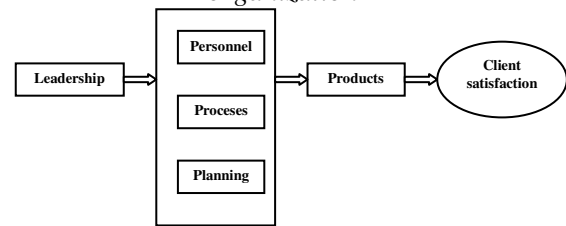


The importance of the process approach of the total quality management results also from the principles of the quality management extracted from ISO 9004:2000, Guide for performance improvement. This standard contains 8 principles conceived as to assist the organizations in focusing on the most important aspects of quality:

- ✓ Client (internal and external) orientation;
- ✓ Leadership;
- ✓ Personnel involvement;
- ✓ Process approach;
- ✓ The system tackling by the management;
- ✓ Continuous improvement;
- ✓ The correct approach in taking decisions;
- ✓ Mutually beneficial relations with the suppliers.

The first three principles are eloquent for the purpose of the present work and are described in Figure 2. The managers are the ones that determine the objective and direction of the organization. They have to create and maintain, through leaders, an internal climate favorable for the involvement of the employees in fulfilling the organization's objectives.

Figure 2. Consumer-oriented organization



Source: I. Năftănăilă, *Abordări moderne în managementul și economia organizației*, 2003

3. The responsibility of the management for quality assurance

The functionality and performances of the organization depend on the managers and leaders. These are the ones who draw up the strategies, the managerial system and the organizational culture and that operate them, generating effectiveness, sustainability, competitiveness and efficiency.

On the other side, the manager is the one who coordinates and stands over the resources of the organization and over the activity of the subordinates as to fulfill the organizational objectives.

The leader is the one who can influence others to fulfill the goal. The efficient leaders are people of vision, that communicate effectively with the subordinates, are good deciders, respects the persons and their dignity and engage in tasks completion.[7]

The leadership is the process through which a person settles a task or a directive for one or more persons and determine them to act together with competence and full dedication in order to complete them.

The activity of the organization depends on the effectiveness of the employees and especially of the leader. People in order to fulfill their duties within the organization, are waiting for the leader to establish the route, the purpose, to guide them. The leader has now become a vital element of a successful business. [1]

When the objective of an organization refers to the achievement of quality, the continuous improvement and satisfaction of all the interested parts' expectations, it is necessary the direct involvement of the top level management. Therefore, hence from the principles of the quality management, the managers and the leaders should determine specific actions through which:

- To assess and maintain the policy and objectives of the organization regarding quality;
- To promote the policy and objectives as to assure awareness, involvement, and motivation;
- To assure that the adequate processes for the completion of the requests of the interested parts are working;
- To assure that a quality management system is implemented and is working effective and efficient;
- To periodically analyze this system and decide improvement actions;
- To provide the necessary resources. [12]

4. Leading human resources towards quality

For an organization, the human resources represent a pro-active factor in achieving quality, having a great influence upon the total quality, which is constantly affirmed by the Japanese and American management, which emphasize the human factor.

Only having some quality human resources is not enough for gaining the desired results. They are needed certain material conditions and a certain social and management climate which to determine not the "utilization" but the "participation" of these resources in achieving the goals. The person, as a resource, is not to be seen only by what he is doing, but also by his attitude upon his activity and organization.[3]

Inside a process of implementation of the quality management, the human resource plays the role of a changing agent. This change has to be planned, communicated, accepted and realized by the employees. Otherwise, the implementation of such a system, hierarchically imposed by the top management, will be only a change in shape that will not lead to the desired results. The philosophy of the quality management implies a major change, based on the changing of the old system of values, behaviors, habits, attitudes towards the concept of quality.

Usually humans are resistant to change, that is why the leaders intervene, becoming veritable agents of change, capable to determine the involvement of the employees and to motivate them as to act in the desired way. Total quality refers to an effort of

collaboration, which has to be based on the participation and agreement of all stakeholders.

In the exercitation of the activity of leading the human resources as to achieve quality, the managers have a series of certain responsibilities:

- Elaborating and communicating the objectives and the policies regarding quality to all the organization's employees;
- The involvement and training of the personnel as to have a proper attitude towards quality and to be sure that the prevention is preferable to the correction of quality;
- Organizing actions of sensitization of the employees regarding quality issues, as to let them know how can they contribute with their work at the achievement of quality;
- Motivating and stimulating the employees depending on their results in the quality matters.[10]

A particularity of the process of the quality management implementation in an organization is connected to the necessity and opportunity of a change in the role of the managers, which have to become, in the same time, leaders. From the sources of power at the disposition of the manager responsible with the assurance of quality, the most influent are the power of expert and personal example.

Another particularity of the process of the management quality implementation refers to the type of leadership appropriate to the context. The field literature sketches the visionary leadership model, an inspiration and a motor of substantial changes for his followers. The visionary leadership model includes: charisma, inspiration and intelligence, intellectual impulse, individual consideration, anticipation of new tendencies, alignment of own values and opinions with those of the followers as well as with those of the market he is a player in, firm actions toward the planned direction.

Through his charisma, this type of leader creates an emotional connection with his followers. The results consequently consist in: loyalty, respect, emulation and trust into the leader, these being openings towards the understanding of a major change.

The leader intellectually challenges his followers, opening the way to new knowledge, doubting the existent solutions and searching for new solutions and answers. By encouraging the employees to see the problems in another way, the leader urges them to reach a performance beyond their known possibilities. The leader treats each of his followers in a different way, everyone being treated with the same attention, but individually. The individual consideration allows the leader to correlate the skills and abilities of the employees with the organization's needs.

And finally, a visionary leader is the one that sets the employees' goals. He defines a target for them, the transformation of the organization in an knowledge organization and lead them to it. The only thing that this type of leader doesn't do is to define the way the employees should reach their target. He has the vision and he shares it with others, but, usually he leaves them to find a specific way to achieve their goal.

5. Motivating the human resources in order to assure quality

An organization may excel in the quality field only if the entire potential of each person inside it is fructified, encouraging their creativity, making them proud and aware of their own value. Therefore, the human resource management must focus not only on providing high quality personnel to the organization (adequate professional training, innovative spirit, diligence), but on their motivation towards voluntary usage of the characteristics in order to achieve the goals in the quality field.[3]

Leaders should facilitate the human resources' embroilment and development through:

- Continuous training and career plans;
- Defining the responsibilities and authority;
- Facilitating the involvement in setting the objectives and taking the decisions;
- Acknowledging and rewarding;
- Facilitating a two-way fair communication;
- Continuous revising in personnel necessities;

- Assuring proper conditions as to encourage innovation;
- Assuring team work;
- Assuring open communication regarding suggestions and opinions;
- Measuring the level of personnel' satisfaction;
- Searching for sources of fluctuation.[3]

For any organization dealing with the quality management, assuring motivation for the employees has two main features. On one hand, a motivated employee fulfills his duties completely and on his own, adapting himself easier to change and even eliminating resistance to change. On the other hand, the same motivated employee is a performance-oriented one. His motivation must be based on the belief that the quality management leads to the development and profitability of the organization, reflecting directly on the wages of the human resources, being a win-win situation.

The motivation for quality might be achieved by adopting a participative management, meaning the involvement of the employees in the technical, commercial or financial performance, through the exploitation of the creative potential of the personnel. [11]

The proposals regarding the improvement of quality may come from each and any employee as well as from interested external parts. The management of an entity must not wait for these proposals, but to act in such manner as to obtain them [11]. Here is where the role of the leaders is essential because they may stimulate the employees through specific motivation techniques, the so called "quality circles". These are made of a relative small number of employees who, along with their supervisors, get together periodically and voluntarily and discuss problems related to the activity in order to find the best solutions. The quality circles are made to make aware the employees of the importance of their participation in the enhancement of the organization's performance.

6. Quality Awards

The sharpening of the competition between organizations determined the need of assessment of the performances achieved by implementing the total quality

management. Therefore, there have been created different Awards, the so called "quality Awards", that are awarded on different categories of organizations, on multi-criteria basis, and that describe the image of "excellence" in an organization.

At an international level, the most important Awards are: *The Deming Award*, *The Malcolm Baldrige Award* and *The European Award for Quality*.

6.1 The Japanese W. E. Deming Quality Award

It is the first Award for quality in the world, awarded for the first time in Japan in 1951. It is awarded for two sections: to the organizations and to the people that had a major contribution to the development and implementation of TQM. There are 63 evaluation criteria grouped in 10 categories: Organization politics and objectives, Structure and function, Education and training towards quality, Collecting, transmitting and using information about quality, Process analysis (using statistics instruments), Standardization, Process control system, Quality assurance, Business results, Organization's perspectives.

6.2 The American Malcolm Baldrige Quality Award

Firstly awarded in 1987, this Award has three sections: factories, services and small firms (maximum 500 employees). The evaluation criteria of the nominee firms are grouped in 7 categories and 28 sub-categories, totalizing 1000 points: Leadership (110 points), Informing and analyzing (80 points), Strategic planning of quality (80 points), Development of human resource management (100 points), Quality processes management (100 points), Quality and business results (450 points), Client satisfaction (80 points).

It can be easily seen that the "Leadership" criterion is the second in importance regarding the associated points, underlying the importance of leadership in the implementation of total quality management in an organization. More precisely, the Malcolm Baldrige Award examines the involvement and personal implication of management personnel in creating and

sustaining a client oriented organization, as a indubitable and transparent support of the quality values. It is evaluated:

- The leadership aptitudes of the personnel from the management;
- Quality assurance;
- The integration of the public responsibilities in the quality policies and the degree of client commitments fulfillment.

6.3 The European Quality Award

The European Quality Award (EQA) is awarded since 1991 by the European Foundation for Quality Management (EFQM) for the organizations that gain remarkable results in business by using the TQM. This model consists of 10 criteria by which the organization's performances are rated [8]: Leadership (100 points), Policy and Strategy (80 points), Human resources management (90 points), Resources (90 points), Processes (140 points), Clients' satisfaction (200 points), Employees' satisfaction (90 points), Social impact (60 points), Business results (100 points).

Analyzing the three awards ante-mentioned by the point of view of leadership, it can be observed that the Deming Award has no criterion which to directly refer to leadership, thing that reveilles the Japanese conception about quality, according to which, "quality is everyone matter", meaning that every person from an organization must be preoccupied of and act towards quality. Therefore, quality is a vertical scale philosophy. Contrarily, the American Malcolm Baldrige Award and the European Quality Award have a less decentralized approach, of the top-down type, underlining the role of the leaders as disseminators of the TQM model.

7. Conclusions

The impact of leadership on quality started to be appreciated at its true value along with the evolution of the quality concept from the "standards conformity" to the "client satisfaction". Moreover, the role of leadership was underlined by two particularities of the "total quality" concept: the extension of the client notion, according to which quality means fulfilling the needs of

the internal clients and overtaking the classical view based on the idea that the department for quality control takes full responsibility for the quality. Quality is not checked but fulfilled by all the organization's personnel. Therefore leadership is needed in order to implement a quality oriented human resources management, based on quality motivation and participation.

As nothing can be perfect, every system presents a number of limitations. Thus, success depends on skills and employment experience, including training on how to use the correct system, redesigning business processes that can lead to a loss of competitiveness, and the fact that systems are sometimes seen as too rigid and too expensive. [2]

Warren Bennis reckoned that the basis of management lays in the capacity of leader to change other peoples' thinking and behavior. The quality management embraces the same philosophy, but adds a new idea, based on a new way of thinking, considering that the client is the only owner of the business. From this perspective, total quality management is the purpose while leadership is the mean to achieve it.

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The Necessity of Auditing Information Systems

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Abstract

With the development of new information technologies a number of threats and risks of the information system have emerged, reaching alarming levels, which requires the introduction of an internal control of the information system within the organizations.

Key words: information security, audit, standard, risk.

J.E.L. classification: M42

1. Introduction

In the initial development of an information system a series of basic activities are executed. These activities consist in: definition of requirements; analysis; design; implementation; testing.

These stages are followed by the operation of the information system that includes: the input of information; processing and storage of information; the output to the various users.

However, in recent years there has been an explosion in the development of networking systems, which inevitably led to a convergence of networks, but also resulted in drawing information system risks.

In this context, the most valuable item is information that is the core of any organization.

By integrating information technology, the role of information system increases in processing data and in obtaining the information within an organization's information system. Naturally, there is a need to ensure the accuracy and security of information and of computer system operations, the reliability of the processed data and of the obtained results. Certification of data integrity and control procedures is a necessity arising from the need of trust.

Since 1968, The American Institute of Certified Public Accountants initiated the development of the concept called "Electronic Data Processing Audit – EDP Audit".

Information System Audit and Control Association (ISACA) is the only professional organization that groups and certifies information systems audit specialists since 1994.

Information security provided by an information process is an accumulation of measures that ensure confidentiality, integrity and availability of data.

- *Confidentiality* is a feature of information, which provides protection, meaning that it can be accessed by the owner or other authorized person that is granted access.
- *Integrity* is a feature referring to the protection of information against unauthorized intentional or accidental changes. Only authorized personnel has the right to modify information and programs in a specific manner in order to prevent the change or the deletion of present data in transit.
- *Availability* is a feature referring to the fact that information systems are used only for legitimate purposes by authorized persons at the necessary time and form.

IT Management requires an optimum flow of electronic documents and associated specific treatment procedures. Thus audit work becomes an urgent necessity, seeking to increase the security of information system's resources, data integrity, efficiency and quality of the internal control within the organization.

Etymology of "audit" stands for "Audire" in Latin, that in translation, is "listening". Semantically, "audit", in English, means test, book review.

Shortly, auditing can be defined as an activity that compares the actual situation with an ideal situation.

Broadly, the audit is an approach or a methodology prepared by professionals, using a set of information and evaluation techniques to achieve a motivated and independent assessment, referring to the valuation rules, assessing the reliability and effectiveness of systems and procedures used within an organization.

Auditing is a process by which a competent and independent person accumulates and evaluates evidence relating to an economic entity, seeking to determine their correspondence with various well-established criteria.[1]

2. International and Romanian framework of the audit of information systems

Information and communication technologies (ICT) are and will continue to be a major factor in the evolution of the economy and of the society. In 2010, the business sector in the EU allocated more than 20% of the investments to the ICT field and more than 60% of basic public services are currently available online, while more than half of EU citizens are constantly using the Internet.

The European strategic framework, respectively, the initiative i2010 [10], had three major objectives:

- Establishing an European area of information, namely a real single market for the digital economy, enabling the full exploitation of the potential of distinct economies, with uneven scale factors specific to the European consumer market of almost 500 million consumers;
- Increasing innovation and investments in ICT research, required by the fact that ICT is the main engine of the economy;
- Promoting the European values of social inclusion and increased quality of life towards an information society.

According to assessments in the cited report [10], Europe is among the world leaders in the development of digital economy.

Since 1993, the European Union has developed a series of strategic decisions and specific programs in order to create the favorable prerequisites for the transition to the Information Society. A representative strategic document is e-Europe - An Information Society for All, adopted in 1999, which proposes to speed up implementation of the digital technologies in Europe and to provide the skills needed for its widespread use.

The following documents and actions marked the development in the field, including in Romania:

1. The Community Program Interchange of Data between Administrations (IDA), that includes Romania also. Its lines of action focus on:

- implementing e-government systems;
- defining the European policy on digital information;
- creating an European portal for information and services;
- drawing guidelines for the organization and search of public information on legislative and regulatory framework in the EU;
- conducting market research for SME-s regarding the use of e-services;
- promoting the international exchange of knowledge on best practices of electronic services.

2. The e-TEN Program, that was developed in parallel with the IDA Program and was completed in late 2006. Its main objective was the development of electronic services to a trans-European dimension: e-Government, e-Health, e-Inclusion, e-Learning, services for SME-s, services for assuring security and trustworthiness of networks and information systems.

3. The IDABC Program (Interoperable Delivery of European e-Government Services to Public Administration, Business and Citizens), established by Decision nr.2004/387/CE of the European Parliament and European Council of 21 April 2004. It was initiated to develop the benefits of ICT regarding the delivery of cross-border public services for citizens and business across Europe and to increase efficiency and collaboration between European public services. Solutions and shared services were developed based on the most advanced information and communication technologies

and it was created a platform for exchanging best practices between European administrations regarding the European public service modernization.

4. European Commission's strategic policy framework for the Information Society by 2010 was traced through the i2010. The e-Government Conference "Transforming Public Services", held in Manchester in November 2005 approved a declaration setting benchmarks and targets for electronic public services.

5. The European Commission launched in March 2010, the European Strategy 2020 in order to overcome the crisis and to prepare the EU economy for the challenges of the new decade. One of the seven initiatives included in this strategy, namely, The Digital Agenda for Europe, sets out the key role that ICT will play at European level in order to achieve the proposed objectives by 2020. ICT sector is directly responsible for providing 5% of the European GDP, with a market value of 660 billion Euro annually. Also its contribution to productivity growth (20% directly from the ICT sector and 30% from ICT investments) is major and it offers a great development potential.

In practical terms, International Standards for Auditing Information Systems were developed and it allowed the international harmonization of the audit practices. The objective of these standards is, on the one hand, to provide the auditor a set of rules and principles to which he can relate to during his evaluation, and on the other hand, to inform the leadership of the organization and those interested on the activities and practices conducted during the audit.

To support the successful implementation of the audit standards, ISACA has published a number of methodological guidelines represented by a collection of examples of procedures that a auditor must follow in an audit of information system, which provide to the auditor the practical elements for implementing the auditing standards and procedures.

International standards for auditing information systems are as follows [[3]:

- Audit Charter;
- Independence;
- Professional Ethics and Standards;
- Professional Competence;
- Planning;

- Performance of Audit Work;
- Reporting;
- Follow-up Activities;
- Irregularities and Illegal Acts;
- IT Governance;
- Use of Risk Assessment in Audit Planning;
- Audit Materiality;
- Using the Work of Other Experts;
- Audit Evidence.

Nationally, there is a need for regulatory and legal framework in field of information systems auditing. In recent years, there are increasingly more legislative regulations on the protection and security of information, such as [3]:

- Law 365/2002 on electronic commerce;
- Law. 455/2001 on electronic signature;
- Law. 506/2004 on processing of personal data and privacy in electronic communications sector;
- Law. 102/2005 on the establishment, organization and functioning of the National Supervisory Authority for Personal Data Processing;
- Law. 64/2004 for ratifying the Council of Europe Convention on cyber crime.

Both the integration of plans and programs associated with ITC in Romania with the action plans adopted at European level (i2010, e-TEN, IDA), as well as the programs carried out to its sequel are important steps in accelerating the implementation of the basic structures of the information society in Romania.

3. Guidelines for auditing information systems

A definition based on IT governance practices as part of the management of an organization can be formulated as follows: IT governance is the responsibility of the management and of the steering committees and it is the act of assuming the leadership and the coordination of the organizational processes and structures to ensure that the IT function supports and expands the entity's strategies and objectives.[11]

In particular, this definition presents IT governance as a full component of business governance and not as an isolated discipline.

In practical terms, IT governance has two categories of results: delivering business value and attenuating (annihilating) IT risks. In this sense, IT governance focuses on five main areas:

1. *Strategic alignment*: following the objectives and implementing the strategies of the entity, by assuming coherent activities and responsibilities of different management structures or levels within the organization.
2. *Delivering value*: creating new value for the entity by maintaining and expanding the current value; eliminating initiatives and assets that do not create sufficient value.
3. *Risk Management*: approaching the specific IT risks and using IT to manage the risks of doing business.
4. *Resource management*: ensuring adequate capability to execute the strategic plans and providing sufficient, adequate and effective resources.
5. *Performance measurement*: following the objectives of the entity and complying with the external specific requirements.

IT governance functions as a continuous process, as an integral part of the organization's management and focuses on the strategic objectives. As a policy meant to ensure the integrity and security of public electronic communications networks, it follows three main objectives: to prevent actions against computer systems and communications networks; to reduce vulnerability to such attacks; to minimize damage and recovery time following the attacks.

The approach of the security issue is comprehensive, including policies, training, physical protection, security procedures manuals and software.

Strategies, standards, procedures and rules were developed in order to implement the security policies and measures undertaken to combat cyber crime.

The international standards for the audit of information systems are:

1. INTOSAI (ISSAI 3000 Implementation Guidelines for Performance Auditing, INTOSAI GOV 9100 – Guidelines for Internal Control Standards for the Public Sector, INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further

Information on Entity Risk Management).

2. ISA – International Standards for Audit.
3. ISACA – Information Systems Audit and Control Association Standards.
4. COBIT – Control Objectives for Information and Related Technology (frame of work, good practice guidelines and audit of information system guidelines issued by ITGI systems – ISACA).

These standards are based on the assessment of risks and results.

The audit may be performed for the entire life cycle of programs, projects, systems and computer applications or only for certain stages specified by the objectives.

Risks play a critical role for the success of a business because a decision-making process involves effectively managing risks on a continuing basis. Quite often, IT risks (risks related to the implementation and use of IT systems) are neglected, unlike other types of risks (market risk, credit risk and operational risk), which are incorporated into the decision-making process. IT risks should be transferred to specialists and should be included among the risks that impact on the strategic objectives.

4. Conclusions

Both managers and auditors should properly evaluate the risks of the organization's information system.

To ideally identify and assess risks, managers and auditors should cover some phases such as: identifying risk factors; ranking risks by their importance for the audited system; determining the frequency and the duration of occurrence of each risk factor; assessing the risk level; planning the audit by allocating the adequate audit resources.

Risk and risk factors monitoring should be revised to meet the changing environment requirements. Also, processes and activities must be updated. It is necessary for managers to constantly have a business overview in order for them to be aware of business risks.

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The Determination of Companies' Fiscal Profit and Profit Tax

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Abstract

The profit of a financial period is the result of the cost-price mechanism within a company and it is an essential instrument in analysing and evaluating the economic efficiency of a company as well as the quality of the company's activity.

By taking into account these aspects I developed throughout this paper a model for determining the profit before taxation and also for calculating the income tax.

Key words: financial period, revenues, expenses, fiscal base, fiscal profit.

J.E.L. classification: M41

1. Introduction

The profit and the rentability of the company are two complementar indicators and which in terms of efficiency determine the evaluation forms of risk and of opportunities of economic growth within the market economy.

Throughout the paper I used and analysed data such as the expenses composing the cost and the revenues generated by the price in order to establish exactly the income tax that every company is obliged to pay to the state authorities.

2. The determination of the result for the financial period

The result of the period is determined by the deduction at the end of the reference period from the total of the obtained revenues of the total of the registered expenses, according to the model:

$$V_T - C_T = R_C$$

where:

V_T = total registered revenues;

C_T = total registered expenses;

R_C = financial result of the period.

The financial result of the period can cover the profit form, the loss form or the null result.

The financial profit is obtained when the difference between the total revenues and the total expenses is bigger than zero, while the financial loss appears in the inverted situation.

In the situation where there is a perfect balance between the revenues and the expenses, and the difference between them is zero, we are talking about a null financial result of the period.

$$V_T - C_T > 0 = P_c$$

$$V_T - C_T < 0 = P_{ec}$$

$$V_T - C_T = 0 = R_n$$

where:

P_c = the financial profit of the period;

P_{ec} = financial loss of the period;

R_n = null result of the period.

The result of the period from the reasons of economic analysis of the activity is structured in:

- result from the exploitation activity
- result from the financial operations
- result from the extraordinary operations

The result from the exploitation activity together with the result from the financial operations gives birth to the current result of the activity. The current result of the activity together with the result from the extraordinary operations forms the financial result of the total activity.

The result from the exploitation activity is determined as difference between the revenues obtained from the exploitation activity and the expenses afferent to the revenues of the exploitation activity, according to the model:

$$R_e = V_e - C_e,$$

where:

R_e = result from the exploitation;

V_e = revenues from the exploitation;

C_e = expenses from the exploitation.

The result from the financial operations is determined as difference between the

revenues obtained from the financial operations and the expenses effectuated with such operations, according to the model:

$$R_f = V_f - C_f,$$

where:

R_f = result afferent to the financial operations;

V_f = revenues obtained from the financial operations;

C_f = expenses effectuated with financial operations.

The current result of the period is determined as difference between the revenues from exploitation and the revenues from the financial operations taken together and the exploitation expenses and the expenses effectuated with the financial operations taken together, according to the model:

$$R_c = V_e + V_f) - (C_e + C_f)$$

where:

R_c = the current result

The extraordinary result of the period is determined as difference between the extraordinary revenues and the extraordinary expenses, according to the model:

$$R_{ex} = V_{ex} - C_{ex},$$

where:

R_{ex} = extraordinary result;

V_{ex} = extraordinary revenues;

C_{ex} = extraordinary expenses.

The financial result of the activity of the period is determined as sum of the current result of the activity and the extraordinary result of the same activity, according to the model:

$$R_{co} = R_c + R_{ex},$$

where:

R_{co} = financial result of the activity of the period;

R_c = the current result of the activity of the period;

R_{ex} = extraordinary result of the activity of the period.

The result of the financial period has two components:

- an financial component illustrated by the financial result of the financial period;
- a fiscal component illustrated by the final (fiscal) result of the financial period.

In order to determine the third component of the result of the financial period, respectively the **profit tax** it is necessary to determine accurately the **fiscal base**.

3. The fiscal result

The fiscal base represents the value which will be deducted for fiscal purposes from any taxable economic benefit, which will be generated by an entity when it recovers the economic value of its assets.

The financial result of the period represents a global sum of the profit or loss registered by an economic entity, before the taxation of the profit or the recovery of the fiscal loss.

The fiscal result represents the taxable profit or the fiscal loss of the financial period, which is obtained by the application of the fiscal rules on the obtained revenues or the expenses effectuated by an entity which pays the profit tax and is calculated according to the model:

$$P_I = V_T - C_T - V_N + C_N - P_F, \text{ or}$$

$$P_I = (V_T - V_N) - (C_T - C_N) - P_F,$$

where:

P_I = taxable profit of the financial period;

V_T = total revenues of the financial period;

C_T = total expenses of the financial period;

V_N = tax-free revenues of the financial period;

C_N = nondeductible expenses of the financial period;

P_F = anterior fiscal loss, to be recovered.

The taxable profit in case of liquidation, is calculated as the difference between the revenues and the expenses effectuated for the obtained revenues, cumulated from the beginning of the fiscal year, taking into account the profit from the liquidation of the patrimony, the sums from the annulment of the provisions, the sums registered in the accounts of proper capitals constituted from the financial (gross) profit and which were not taxed at the date of their constitution, other similar elements to revenues and expenses. In the case where in the profit tax declaration afferent to the year precedent to the liquidation, the entity has registered a fiscal loss, it will be recovered from the taxable profit, calculated with the occasion of the liquidation.

At the calculus of the profit tax due by the entities that cease their existence following the liquidation operations, it is taken into account the taxable profit and the reserves constituted from the net profit, some reductions afferent to the taxation quota distributed as proper financing sources

during the functioning period, including the reserves constituted from the exchange rate differences favorable to the social capital in currencies, or those resulted from the evaluation of the availabilities in currencies.

The **profit tax** represents for a tax paying entity, a fiscal nature expense, which is determined quarterly, cumulated from the beginning of the year, through the application of a percent established by law, on the taxable profit, according to the model:

$$I_p = \frac{P_1 \times C_{ip}}{100},$$

where:

I_p = profit tax;

P_1 = taxable profit of the financial period;

C_{ip} = legal quota of profit taxation (percent).

The net or to be distributed profit represents the part from the financial profit which remains at the disposal of the paying entity, after the deduction of the profit tax due to the state.

The net profit is determined as the difference between the financial profit and the calculated profit tax, according to the model:

$$P_N = P_c - I_p,$$

where:

P_N = net profit of the financial period;

P_c = financial profit of the financial period;

I_p = tax on the due profit.

The determination of the profit tax to be paid at the state budget or to be recovered from the state budget is done as the difference between the calculated profit tax, cumulated from the beginning of the financial period, and until the calculus period established by law and the profit tax paid for the previous periods, according to the model:

$$I_{Pp(r)} = I_{pd} - I_{pa},$$

where:

$I_{Pp(r)}$ = profit tax to be paid or to be recovered;

I_{pd} = due profit tax;

I_{pa} = paid profit tax;

From this calculus can result three situations:

- Profit tax to be paid, if: $I_{Pp} - I_{pa} > 0 \rightarrow I_{pd}$
- Profit tax to be recovered, if: $I_{Pp} - I_{pa} < 0 \rightarrow I_{Pr}$
- Profit tax paid integrally, if: $I_{Pp} - I_{pa} = 0$

The profit tax is calculated as if follows:

- in the case of the Romanian juridical persons on the taxable profit obtained from any source, Romanian or foreign;

- in the case of foreign juridical persons who have a permanent headquarters in Romania on the taxable profit, attributable to the permanent headquarters;
- in the case of foreign juridical persons and of the resident physical persons who develop activities in a association without juridical personality, on the part from the taxable profit of the association, attributable to each person;
- in the case of foreign juridical persons who realize revenues from the real estate properties situated in Romania, or from the sale of the participation titles owned to a Romanian juridical person, on the taxable profit afferent to these revenues;
- in the case of the resident physical persons associated with Romanian juridical persons who realize revenues in Romania and abroad from associations without juridical personality, on the part from the taxable profit of the association, attributable to the resident physical person.

It can be accentuated the fact that the results of the financial period, determined through the comparison of the revenues and expense, influences the patrimony of the economic agent with the purpose of increasing or reducing it, as it follows:

- the profit reflects an increase of the asset, at the present moment as compared to a passed moment;
- the loss reflects an increase of the liability, at the present moment as compared to the passed moment;
- the null result does not influence the patrimony of the economic agent.

The fact that the result of the period is integrated at the end in the patrimonial economy, leading to the increase or the diminution of the patrimony, the determination of the result of the period can be done and according to the model:

$$R = C_{p1} - C_{po},$$

where:

R = result of the period;

C_{p1} = proper capitals at the present moment;

C_{po} = proper capitals at the passed moment;

If:

$C_{p1} > C_{po} \rightarrow$ profit, and $C_{p1} < C_{po} \rightarrow$ loss.

The result of the period, irregardless if it is profit or loss it is found in the financial

balance registered in the liability in the category of the proper capitals, with a plus if it is profit and with a minus if it is loss.

The current tax and the delayed one must be recognized as a revenue or as an expense in the profit or the loss of the period, except the case where that tax appears from a transaction or an event that are recognized directly in the proper capitals, during the same period or in a different period or from combinations of enterprises.

Most of the debts regarding the delayed tax and the book debts regarding the delayed tax, appear where the revenues or the expense are included in the financial profit of a period, but is included in the respective taxable profit the financial loss afferent to another different period.

Such situations can appear when the revenue from interests, the royalties or the dividends, is cashed in late and is included in the financial profit allotted in time, but is included in the taxable profit, respectively the fiscal loss from another period or when the cost of the non-corporal immobilizations were capitalized according to IAS 38 "Non-corporal immobilizations", are amortized in the profit and loss account, but were deducted for fiscal purposes when they were supported.

The book value of the debts and the debts regarding the delayed tax, can be modified even if there is no modification in the value of the afferent temporary differences, as result of the modification of the taxation rates or the fiscal rules, as result of the reevaluation of the manner of recovery of the debts regarding the delayed tax, or as result of the modification of the forecasting manner of recovery of an asset.

The resulted delayed tax is recognized in the profit and loss account, except the situation when it is afferent to the elements previously debited or credited, directly in the proper capitals.

The current tax and the delayed tax must be debited or credited directly in the proper capitals if these taxes are afferent to the elements which were debited or credited directly in the proper capitals during the same period or in a different period.

The International Standards of Financial Reference (IFRS) impose or authorize certain elements to be credited or registered directly in the proper capitals, as it follows:

- a modification in the book value appeared from the reevaluation of the corporal immobilizations;
- an adjustment of the initial balance of the reported result, coming either from a modification done upon the financial policy which is applied retrospectively, either from the correction of the fundamental errors;
- the differences of exchange rate appeared with the conversion of the financial situations, of a foreign operation;
- the sums appeared together with the initial recognition of the component of proper capitals, of the composed financial instruments.

There are situations where there is difficult to determine the value of the current tax and of the delayed one, which refer to the elements credited or debited in the proper capitals, when:

- the profit tax is determined using progressive rates and is impossible to determine the rate at which a specific component of the taxable profit was taxed;
- a modification intervened on the taxation rate, or on another taxation rule, affects a book debt or a debt regarding the delayed profit tax afferent to an element, which was previously debited or credited in the proper capitals;
- when an entity establishes that a book debt regarding the delayed tax must be recognized and the book debt concerning the delayed tax is afferent to an element which was previously debited or credited in the proper capitals.

The current and the delayed tax, afferent to some elements which were debited or credited in the proper capitals, are based on a just proportional distribution of the current tax and of the delayed one of the entity being under the incidence of the fiscal jurisdiction, or on another method which validated a more suitable distribution.

The current tax of the current period and of the previous one must be acknowledged as debt, within the limits of the unpaid sum.

If the already paid sum regarding the current period and the previous one exceeds the due sum for those periods, the surplus must be acknowledged as asset.

The annual loss established through the profit tax declaration is recovered from the taxable profits obtained in the following five consecutive years.

The recovery of the annual fiscal losses will be done in the order of their registration, at each payment term of the profit tax, according to the fiscal rules in force at the moment of their registration. The fiscal loss represents the sum registered in the imposition declaration of the precedent year. When the recovery of the financial loss is done from the legal reserves, constituted from the profit before the taxation, the ulterior recovery of the legal reserve will not be a deductible sum, at the calculus of the taxable profit.

The fiscal loss registered by the entities which cease their existence by division or fusion, it is not recovered by the newly established contributors or by those who take over the patrimony of the absorbed company.

The entity from whose patrimony is detached a part after a division operation, and which continues its existence as a juridical person, recovers the part from the fiscal loss registered before the moment when the fiscal operation produces effects, proportionally with the rights and obligations maintained by the respective juridical person.

In the case of the fusion by absorption, the fiscal loss resulted from the declaration of imposition of the absorbing juridical person, declared until the date of registration of the mention in the commerce registry regarding the increase of the social capital is recovered according to the fiscal rules.

The foreign juridical person can recover only the loss afferent to the revenues and expenses attributed to a permanent headquarters in Romania.

Any loss reallocated through a permanent headquarters from abroad, is deductible only from the revenues obtained from abroad.

The losses realized through a permanent headquarters from abroad are deducted only from these revenues, separately on each revenue source. The uncovered losses are reported and will be recovered in the following five consecutive fiscal years.

When the fiscal loss is used for the recovery of the current tax of a previous period, an entity acknowledges the benefit as asset in that period where the fiscal loss appears, because there is the possibility for

the benefit to be generated by the entity and to be credibly evaluated.

The revenues obtained by a Romanian juridical person in a foreign state, with the permanent headquarters in that state or the revenues taxed with retention to the source in that state, which are taxed in Romania, as well as in the foreign state, then, the tax paid to the foreign state, on those revenues, directly or indirectly by the retention and the bank transfer of the tax by another person, is deducted from the profit tax due to the Romanian state.

The deduction for the taxes paid towards a foreign state in a fiscal year, cannot exceed the profit tax calculated by the application of the legal quota of profit tax at the taxable profit obtained in the foreign state, determined in accordance with the Romanian fiscal rules, or at the revenue obtained from the foreign state.

The tax paid to the foreign state is deducted only if the Romanian juridical person proves with documents that the tax was paid to the foreign state.

At the end of the fiscal year, the operations effectuated through some permanent headquarters from abroad of the Romanian juridical persons, registered during the period in currencies, respectively the revenues, expenses, other taxable or deductible sums, as well as the paid tax are converted in lei, using an average of the currency exchange rates, communicated by the central bank.

The entity which develops activities through a permanent headquarters in a foreign state, calculates the taxable profit at the level of the entire company, according to the fiscal rules.

For the granting of the fiscal credit afferent to a permanent headquarters, an entity calculates the taxable profit and the profit tax afferent to that permanent headquarters, according to the fiscal rules in Romania.

The document based on which it is calculated the deduction from the profit tax due in Romania, it is the one attesting the payment, confirmed by the foreign fiscal authority.

If the document based on which it is calculated the deduction from the due profit tax is presented after the deposition with the fiscal authorities of the declaration regarding

the profit tax, the fiscal credit is granted for the year at which it refers, by the deposition of a corrective declaration.

The limitation of the deduction at the level of the profit tax paid in the foreign state is done regarding each revenue source in the foreign state, taken separately.

In this sense, all the revenues of the Romanian juridical person whose revenue source is in the same country will be considered as having the same source.

The foreign juridical persons who obtain revenues from real estate properties in Romania have the obligation to pay profit tax for the taxable profit afferent to these revenues.

The taxable profit in this case is determined as the difference between the value realized from the sales of these real estate properties and the purchase, constitution or modernization cost of the property, reduced with the afferent fiscal amortization. The value realized from the sale of these real estate properties is reduced with the commissions, taxes or with other paid sums, afferent to the sale.

The taxable profit resulted from the termination or the cession of the commonage of the real estate property situated in Romania, is calculated as the difference between the obtained revenues and the expenses effectuated with the purpose of their realization, except the revenues with retention at the source.

The revenues from the real estate properties include also the gains from the sale – cession of the participation titles owned at a juridical person, if the majority of the fixed means of that juridical person are directly or through more juridical persons, real estate properties situated in Romania.

In this sense, the fixed means of a juridical person are directly considered real estate property situated in Romania, when the respective juridical person owns social parts or other participation titles in a company, where the condition of owning the majority of the real estate properties, the value of the fixed means, including the terrains, taken into account at the establishment of the majority of the holding of the real estate properties, is the value of their registration in the accountancy, on the date of the sale-cession of the participation titles. Within the real estate properties are included also the current

investments, like buildings and other constructions. The gains from the sale, cession of the participation titles is determined as differences between the revenues realized from the sale-cession of the participation titles and their purchase cost, including any commissions, taxes or other paid sums, afferent to the purchase of such participation titles.

4. Conclusions

We can conclude by saying that there is a permanent connection between the two entities, meaning on one side the company that generates income and the state that is collecting a part of this income in the form of income tax. This is why the presented model takes into account the conciliation of the two parts in such a manner that both their economic interests to be satisfied.

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The Need of Activities Integration as Effect of Global Economic Crisis

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Abstract

Even though the need for trust-based relationships existed in the prior period, following the global economic crisis event, it becomes a necessity and not just a growth opportunity. Research analyzes types of relationships and strategic alliances, focusing on long term partnerships. This article sees as a business essential element, relationships that are not based on cost advantage or high production volume at a certain moment. Knowledge management is also an essential element, giving us the possibility to outline the image of future managers. Essential characteristics of relationships that should have managed within a supply chain and between different chains have been known since ancient times, but the lack of importance associated with them has led to serious economic effects, as we are able to identify now in the environment.

Key words: integration, partnership, knowledge management.

J.E.L. classification: L20, M20, M53, O15

1. Introduction

What is the final purpose of any business organization? The central element of concern is customer satisfaction and loyalty. In this turbulent environment it is essential that the entire mechanism of the business to be directed to the client, in the meaning of a much profitable satisfaction of the clients' demands and wishes, to whom there are offered products and services [4].

In any sector, organization or department, we must always be sensitive to a group of customers. This is because customers are not only members of the public, as shoppers from a store, but they are also those members of staff from other departments with whom we

work. Indeed, a way to boost customer orientation within an organization is to encourage employees to see all their colleagues as internal customers. Everybody whom we work with, rely on us to carry out properly their own job. It can be the problem of supplying goods or services for further processing or simply giving information in order for them to be able to fulfill their tasks. Building effective and productive relationships with customers is crucial for proper functioning of any organization.

2. The role of activities integration

As effect of the global economic crisis, a number of factors threaten business at extended level, affecting the entire supply chain associated. Thus, companies must assess how to solve problems of visibility and control within the chain, without having to tear down the entire infrastructure. They should seek ways to expand partnerships without adding costs for start-up, training and maintenance of those partnerships.

Supply chain globalization, increased complexity, rising costs and the need to quickly respond to customer demands and to interruptions that can occur in the chain, force companies to rethink the former approach of the supply chain. Evolution of multi-integrated chain and demand-led networks is essential, but the need to reduce costs and to hold long-term competitive advantage is striking.

High costs, compliance with customer demand and increased global operations, as well as increased number of supply chain partners had led to an increase in its complexity. For organizations, this turned into lower level of visibility and the loss of control over operations and also of the possibility to carry out performance measurements. The reason why business should be focused on collaboration with business partners more than on other

domestic issues, is that today, companies can not survive without integration and without cooperation at a "business to business" level. [7]

Key issues that companies have experienced when they implemented integration and collaboration were:

- Technological solutions to implement collaboration are too expensive;
- Lack of infrastructure and resources to support electronic integration;
- Staff resistance to change;
- Lack of information management at organizational level to support the supply chain;

Also, the necessary investments have prevented many companies to implement needed skills for supply chain integration and connection. Tasks that are most time consuming fall into the category of activities for process mapping, human and technological support, handling end-customer requirements or activities devoted to partnerships connection.

3. Relationships inside the supply chain

To avoid problems, organizations must develop a better understanding of their processes and a better understanding of the term of quality and delivery performance of their suppliers in order to find better ways to serve customers. To ensure this actions, communications links between customers and suppliers should be well established and used regularly. Supply chain relationships are probably the most important management interface of the whole supply chain.

Many organizations continue to see their suppliers and sometimes even their customers as opponents in which they can not have trust and must avoid possible long-term partnerships. These departments have not implemented strategic roles and are often seen as simple functions of "buying" and "delivering". There are many cases where materials management is considered an individual activity, under the influence of the silo effect and staff did not communicate at all with other suppliers or customers. These departments and in fact these companies are very concerned to keep their own market position and their own competitive advantage state, instead of developing long term

relationships with all supply chain participants. It is the typically case of short term success, long-term failure.

A key element in improving relations within the chain is the presence of a performance measurement system used to ensure that both parties operate in line with expectations and reach objectives.

I further illustrated a reference model to study the development stages of alliances.

*Figure no. 1: General model for the development of alliances
(Source: Hill 2000)*

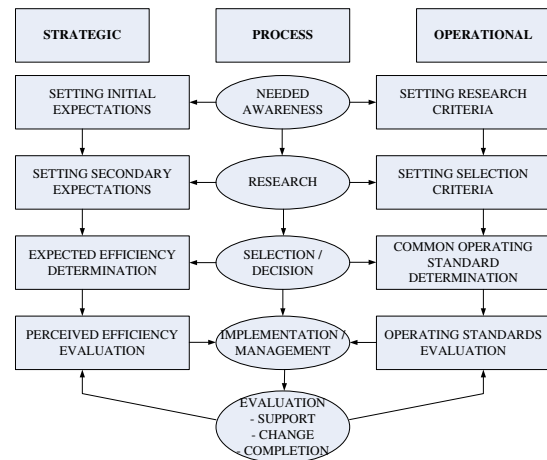


Figure 1 illustrates a model that shows how organizations establish and develop supply chain alliances. The model has several horizontal and vertical components. Vertical components are detailed below:

- The strategic component examines how expectations and strategic assessments evolve in the context of alliances and in the context of their own progress in several stages;
- The process component highlights development stages of alliances which bring into relief the essential steps required for training, implementation and maintenance of the alliance;
- The operational component sets the level of research development, selection criteria and operating standards in order to lead an alliance.

In each vertical stage, it must be considered each of the following horizontal stages:

- Level one - the conceptualization of the alliance - begins when the company determines the existence of a collaborative arrangement and it may

provide better alternatives to this arrangement. It involves planning strategies at common level to determine which would be the "ideal strategic alliance" in the "ideal state", and then designs and something more rooted in reality;

- Level two – the follow of the alliance - the decision to form an alliance is concluded and the company sets strategic operations to be performed in order to select a partner;
- Level three – the confirmation of the alliance - focuses on selecting partners and on confirmation. Managers determine expectations at strategic and operational level in terms of the arrangement during joint meetings with partners. The partnership is complete and well defined;
- Level four – the implementation/ the continuity of the alliance - creates a feedback mechanism to manage and assess performance in order to determine whether the alliance should be maintained, amended or terminated.

It is necessary to develop a relationship of trust with supply chain partners. As we have discussed, trust is not something that just "happens". Confidence is not something that can be clearly measured or determined. If we want to understand how some organizations can be confident in the other, we must understand first how people trust their partners.

Can we consider the lack of trust as one of the starting points for the difficult economic situation in which we stand?

- **Safety**

The feeling of confidence is based on previous experiences of the parts involved. If one partner forces the supplier to work within the chain, then the partnership is probably not safe. Appropriate are the situations where a supplier disappoints his client several times in a row. To contribute at extended level, it is necessary that each shareholder to respect their commitments and to behave in a predictable manner.

- **Competence**

It represents one person's concept about other's ability to fulfill commitments made. It is different from the feeling of safety. Competence-based trust can explore three key points. [5] The first area is the specific competence of a person. For example the

customer trusts the supplier to answer any question regarding its raw materials distribution strategy. The second area is represented by interpersonal tasks. This often refers to own skills like the ability to listen, to negotiate, to make a presentation. The third area involves business sense and refers to a person's common sense, experience and wisdom.

A solution to cope with negative effects exerted on the organization is to choose a partner who has registered experience in a particular technology. Make sure that your partner also designate people with skills and experienced in maintaining the relationship.

- **Trust based on „good will”**

This represents the transition from a business relationship level to a psychological relationship level. This manifests in two areas. First we talk about openness to the other. A supplier who will share information about internal structure, costs and strategies, will gain confidence more quickly. The second part relates to goodwill, which represents the confidence that the other party will do its best to meet his partner demands.

- **Vulnerability**

Vulnerability suggests that there is a risk when we choose a partner in the supply chain, a risk which goes beyond elements of incompetence. There are differences between actions prone to risk and actions prone to vulnerability. For example, if someone leaves to work without their umbrella, someone else can assume that this person has assumed the risk that it will rain. But if someone goes to work and requires a partner to bring an umbrella so he can use it, then he depends on that individual and he is vulnerable that his partner may forget the umbrella.

Perception of vulnerability must be carefully managed by supply chain members through information sharing. This assures partners that their interests will be protected.

- **Loyalty**

This feature can be revealed after a period of time in the partnership. If someone receives an order for which it has no stock of raw materials, he may require to his supplier for an overnight delivery. To do this, the supplier must allocate additional shifts. In such a situation, the supplier demonstrates loyalty to your company in a difficult situation.

To show an increased sensitivity to the needs of your partner and ask the same thing from him if necessary can be considered a basic rule for development and improvement.

Trust is a value good in a company because:

- Reduces transaction costs (research costs, contracting costs, monitoring costs, building cost)
- Leads to a higher level of knowledge sharing (discussing information, requesting assistance)
- Facilitates investment in specialized assets (building a factory in an area without trusting local suppliers and partners)

4. Trends in partnerships within the supply chain

There are several features whose importance was increased, both regarded as an effect of global economic crisis as well as organizational effort to survive and to develop in this ever changing environment. Few of the most important features are:

- Advanced informatics technologies;
- Increased level of awareness and analysis of products complexity within the organization. The accelerated pace of knowledge development suggests that supply chains must be increasingly less specialized on one company and more focused on companies that have the ability to invest in research and development.
- Increased demand specialization.

The trends illustrated above also points out that vertical integration and short-term alliances are no longer sufficient and are no longer able to sustain competitive advantage.

4.1 Types of relationships

In dyadic relationship between two companies, three types of relationships could be identified. In order to increase competitiveness and avoid work in excess, an appropriate level of interaction regarding specific marketing conditions must be selected.

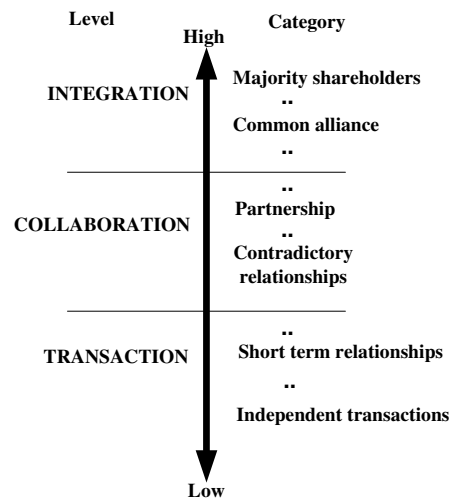
Transaction is known as an exchange or transfer of goods, services or monetary resources. A relationship based on

transaction involves a value exchange process having price as the main objective.

Collaboration is often defined as the

Figure no. 2: Levels of interaction and specific associated classes

(Source: Bäckstrand Jenny, 2007)



activity to work with a person or organization with which you are not directly connected. It supposes to work or to act beside others and both parties to benefit.

Integration is often defined as a merger of two units into one. [2]

How can we use the frame illustrated to highlight types of interactions? Once the company has defined the framework and interaction levels, it must select the most appropriate level for its concerns. Each category must be separately analyzed, since many variations may arise, depending on different products, different markets and dyadic relationships that occur, you should look at each category separately. Analysis procedure consists of: selection of factors, selection of degrees or direction for certain factors depending of the policy established by the company, by its profile and analysis.

The cases where all elements suggest using the same type of relationship are very rare. Therefore, the financial decision belongs to top management.

This framework is an analysis tool that supports managers in the selection of an appropriate level of interaction for each product. Also, it identifies discrepancies that may arise between certain types of interactions and specific requirements for each factor analyzed. [3]

5. Knowledge management

Perhaps today the only chance to win competitive advantage is by learning faster than your competitors. All big companies, even Toyota and Microsoft are based on worldwide sellers to locate products and to develop market analysis in distant countries in terms of culture. Knowledge management within firms can be spread through associations of providers, consulting teams, voluntary groups, study teams formed to solve problems, transfer of employees between companies, or performance feedback and ongoing monitoring processes.

We considered essential the behavioral approach regarding different types of top managers:

- Supply chain thinker - a manager who is focused on the supply chain. Manager's attention is focused on traditional issues of management, including financial objectives, relationships with their investors, promotion and marketing topics;
- The frame setter - a manager with strategic objectives and specific frameworks for business. Manager defines frameworks for implementing the proposed strategy, for example he sets financial goals that help others to build the next level of strategy.
- Process designer - a designer oriented to organization's processes. He is the manager who sets the organization so that the physical flow of goods can be facilitated. Interdepartmental interface is build so that coordination activities and functions can be continuously improved.
- Relationship manager - a manager of supply chain relationships. He analyzes what kinds of relationships are suitable for supply chain so that they are congruent and able to support organizational position.
- Inspector - a manager oriented to IT systems ability. The manager attaches great importance to IT functions, as they facilitate the transfer of information essential for the proper functioning of the organization.

In this approach, the best fitted is the manager seen as the organizer of the future, a successful future planning manager. The

manager has an active role in the development of new capabilities needed by the organization, through meetings of top management, IT systems or by ensuring optimal organizational structure. It provides a degree of freedom of staff to facilitate learning and support investment, providing also the necessary support to implement future plans. [6]

6. Conclusions

Why a successful organization is defined as being "customer oriented"? We can give an answer if we look at who are "other stakeholders" of the organization. They allow the organization to exist to the extent that they are satisfied by it. Thus, for example, for a profit organization (company), the other stakeholders are satisfied in terms of income received as a result of the distribution of turnover.

Results due to customer satisfaction are different according to each organization. For example, for a company, the result is the turnover obtained after a certain period of time. For an association, the result is given by the associated benefits, while for the city hall, the result occurs to the extent that political actors are re-elected.

The need for collaboration and partnership is vital in this period. They are built on organizational capacity to share information, activity currently focused on information technologies. Production of goods is not the only area in which companies use supply chain software to reduce costs. Production of goods in developing countries may be cheaper, but can also bring a number of challenges and uncertainties. It is not as easy to synchronize data in real time with a factory from another country. In addition, the distance that products must pass through and many other factors, increase the likelihood of delays. Thus, production of goods in another country may induce elements of uncertainty that supply chain's software were designed to eliminate. [1]

The good news is that technologies capable of monitoring shipments wherever they are, become more efficient every day. The downside is that they are very expensive. In addition, some locations do not have the necessary infrastructure to support such systems being possible that investments in IT

automation are higher than the gain in productivity. Therefore, in some cases, the introduction of these technologies does not justify.

Activities integration, supported by the development of reliable partnership leads us to the approach that considers that best solution to overcome difficult moments is the use of any systems able to obtain maximum visibility on the extended supply chain. Sometimes the implementation of the model that equalizes production with demand is not possible, but choosing business partners who are willing to share information, the company can get many benefits and, therefore, payment and low wages.

Uncertainties arise from all types of areas. Some can be controlled, others not. The events we consider are not isolated events, but are fundamental changes in key elements that can cause a business to change. As a solution, we should create supply chains capable of adapting to these changes.

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Opportunities to Develop the Extended Supply Chain under a Turbulent Environment

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Abstract

Following the global economic crisis, some organizations have managed to find new opportunities for development. The research aims to explore these opportunities in the extended supply chain by analyzing key features that until now were left behind to care for the cost and sales volume. A journey among the challenges that managers encounter in this period is necessary, because in order to be able to solve problems and to improve, we need first to know with what we are facing. The article proposes a development method at the conclusion level, regarding the fact that the approach of this research was conducted mainly in the internal management of the supply chain.

Key words: supply chain management, logistics, optimization, bullwhip effect.

J.E.L. classification: F15, L23, M11

1. Introduction

As John Kasarda affirms since 1999, in an interview for the Forbes magazine, the "competition between manufacturers decreases in terms of effective production and quality - comparable items - and increases fierce in terms of problems related to inventory and distribution speed on the market". This quote reinforces the belief that supply chain management will be the main determinant of the ability of manufacturers to compete.

A comprehensive definition of the term of supply chain management says that this is what happens in a company beginning with the extraction of ores and going through many transformation and distribution processes until the product is delivered to the final customer. It ends with the last phase of

recycling for every product that has completed its life cycle.

The supply chain is under the impact of rapid changes, its inability to cope with change entailing many dangers. To emphasize the importance of supply chain management I have reviewed the situation in the IT industry. This is an industry that shows impressive growth, is in fact a very profitable business, whose sales are made in bulk from retail stores. Product development was spectacular and today only a few people notice the differences between companies. Their efforts focus on creating cheaper products. Consumers have realized that for their daily needs they do not require such advanced devices, and thus the sale of low cost products increased.

This has created for the supply chain the need to focus on "extended" product. Following the global economic crisis, activities that are part of extended supply chain, are those that bring competitive advantage. Among these we mention customer support, the ability to make different types of configurations and rapid response.

2. Supply chain logistics re-engineering

Logistics is defined by the Council of Logistics Management as "the process of planning, implementation and control of efficient and effective flow and storage of goods, services and related information from point of origin to point of consumption aimed at compliance with customer requirements ". The main elements met by the most successful logistics companies are:

- Positioning in accordance with structural approaches and strategies to guide logistics operations;

- Integration of internal discoveries related to successful logistics processes and development of long term relationships within the supply chain above its own boundaries;
- Increased business skills in terms of relevance and flexibility;
- Internal and external performance measurement. [8]

In turbulent times, we see that the integrated supply chain management increases the importance of logistics activities. It gives members the opportunity to optimize logistic performance at multi organizational level. This translates into integrated management from primary suppliers of raw materials to final customer. Logistics professionals are still challenged by materials movement inside the supply chain, in a less time consuming and more efficient method in terms of costs. The final target remains to meet customer requirements. To overcome these obstacles it requires a broad strategy for the extended supply chain. This necessity is enhanced by the fact that international supply chains bring together considerable geographical distance and time difference, several national markets, several locations for various operations and multiple opportunities due to diversity of supply and demand conditions. [5]

Changes throughout the world have led to the need for changes at higher supply chains level, in order to eliminate still existing barriers. With the implementation of change, an important element to take into account is the cultural differences between countries involved in the business process. Performance standards may vary from one region to another or within the same organization. It is therefore necessary to understand foreign partners, regional performance standards and regional infrastructure. Extended supply chain managers must be sensitive to specific local conditions and adapt their strategies accordingly.

As a result of the global crisis, companies should carefully consider a number of challenges and opportunities. Thus, I mention several facts:

1. Customers must be helped to understand the logistics system;
2. If the activity does not add value, it should be removed;

3. Barriers between supply chain members must be eliminated to improve their ability to focus on customers, to make better decisions in less time, to increase supply chain efficiency and to achieve desired degree of sustainability;
4. Third grade partnerships must be carefully managed.

This re-engineering approach is not only used to align business activities to customers in terms of timely delivery of goods, but in many cases, it refers to a significant increase in profitability. One study estimated that re-engineering of the supply chain can move the profit from 150 percent to 250 percent and reduce cycle time with 70 percent. [7]

3. Supply chain management features

When we want to analyze the features of supply chain management in an organization, and we want to do this analysis from a fresh perspective with a vision for the future, I think it is important to consider the following elements: spatial perspective, flexibility and outsourcing.

3.1. Spatial perspective

Spatial extension of production networks is a challenge for managers used to reduce implementation times by contracting suppliers from the geographical proximity of the supply chain. [3]

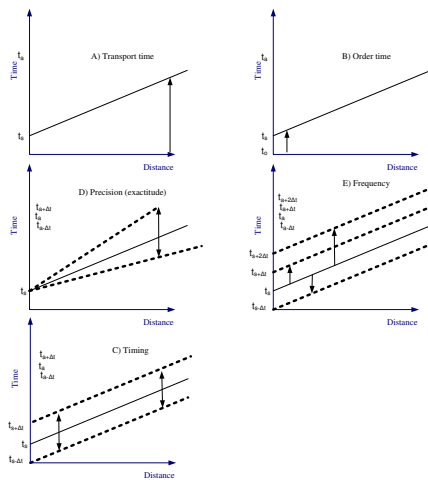
Theory of time, as a parameter in the transport system is described in terms of the following factors: order time, transport time, timing, precision and frequency. Theory related to transport time must be first treated at holistic level and then decomposed in three stages: adjacent suppliers, nearby suppliers and far positioned suppliers.

Time is often the most important element, especially for those working on the quality of transport and behavioral modeling application as a decision support for specific transport policy. I think that speed and low price never ceases to represent the simplest test of efficiency in a complex transport system. In Figure 1 are illustrated the main elements of time that require special attention.

For a detailed analysis, an explanation of given terms from the following figure, of reference is required:

1. Transport time: scheduled time for transport
2. Order time: time before the starting point of the shipment. The order must guarantee a certain capacity, price or level of service.
3. Timing: time points established for departure and arrival.
4. Precision: the ability to meet the program.
5. Frequency: The number of departures in a given period of time.

Figure no. 1: Main time features.



(Legend: t_o =order time; t_s =start time; t_a =arrival time)

Source: Woxenius, 2006

3.2. Dynamic flexibility – structural flexibility

Structural flexibility refers to the ability of the supply chain to adapt to certain changes in the business environment. We should move away from mental settings related to “control”, mental settings that seek to eliminate all variability, to a structure able to adapt at environmental turbulence and able to embrace volatility as an opportunity. Even if it sounds a paradox, the current crisis can be seen as an opportunity. It allows managers to seek for understanding regarding fundamental decisions inside the company. Rules accepted in the past, such as “advantage of low-cost countries” exceeding cost importance inside the extended supply chains, no longer works. We are not allowed to suppose that there is stability in our financial planning. We are also not allowed to build supply chain on the premise of a

single price for raw materials. [1], [2]

3.3 Outsourcing

Outsourcing in production offers two options for the supply network structure: either the product or the process is completely outsourced, or the outsourcing is combined with internal production. It is important to analyze the performance effect of combining different regarding outsourced production and internal production. [6]

4. Challenges for supply chain managers

Integrated information and materials management throughout the supply chain provides added value benefits from members of the chain, reduces waste, reduces costs and improves customer satisfaction. This strategy is still a difficult task. Implementation of an extended supply chain indicates many difficulties. “The data, information, means of information analysis, as well as information circuits and flows are influenced by the relations existing between the members of the chain”. [9] Thus, in some cases problems arise because information is not available to those who need them, or is not available to all members of the chain due to the mistrust that manifests one another. A second obstacle is the inventory management. Even if improvements are ongoing, in delivery many delays arise due to multiple causes: low speed due to product’s customs, problems related to weather, poor communication or simpler, human error. Establishing partnerships based on trust is still the most difficult problem faced. A third category addressed in the research is the material flow management, a key challenge due to the large quantities that are transported long distances between the various shareholders of the chain. Finally, we must take into account the time. The greatest challenge is the time-sensitive environment, a challenge that impels people to work within the supply chain.

What is the bullwhip effect?

Even if the need to share information is essential, it is very important to ensure that this information is accurate. In fact “distorted information from one end to another inside

the supply chain can cause tremendous inefficiencies: excessive inventory investment, poor customer services, lost revenue, poorly targeted production capacity plans, inefficient transport and failure of the delivery program". [11]

If every company creates orders and decisions related to stocks being attentive to their own intentions, stocks may occur and can multiply across seven or eight levels. In this case companies will have stocks enough for 100 days that expect only because they "might be needed."

How does inventory management can affect the organization?

The second trend worth mentioning is the increasing demand for higher levels of sensitivity and shorter time cycles necessary to deliver high quality goods and services. Personnel reduction forces the managers to take care of a greater number of channels with fewer people, while cost pressure forces them to do this with lower levels of stocks. Because competition is constantly increasing, errors related to supply chain management that lead to loss of orders can not be easy overlooked. Furthermore, customers as well as suppliers are becoming more experienced in measuring performance, so any mistake is very easy to detect. Everyone requires "perfect orders" that must be developed inside a fast supply chain, accurately and with a high quality associated to every product.

Despite these requirements difficult to achieve, some organizations succeed. They have adapted changes and adopted time-based technologies. Reducing lead time is seen both in stocks and in reducing the need to re-process, meaning higher quality products. These capabilities become even more important when we look at global level. To survive, organizations must increase globally their own market share to support its growth objectives and to be at the level of global economic expansion.

How does material flow management can affect the organization?

Most organizations are members of several supply chains. An organization offers a wide range of products and services buys materials from many suppliers and also sells to many customers. From the perspective of an organization, any supply chain has both internal links and external links. However it

is unlikely that all organizations to participate in initiatives to improve the chain. An organization must therefore focus their efforts on the supply chain critical to its success. By critical we mean those suppliers, customers or manufacturers who are more likely to provide competitive advantage.

In current conditions for a proper functioning of material flow in the extended supply chain, it is necessary to consider both internal and external level of an organization.

The internal supply chain is part of a chain that occurs inside a clear defined organization. A very effective technique for gaining competitive advantage can be the process of value stream mapping. In its developed it is needed to obtain an internal agreement, and further more to expand the research across borders. When an organization tries to select external members, it may experience different challenges. First it needs to consider competitive situations that arise between members of the chain. Second, all companies must have the same final target. In the third place, worth considering that a supply chain will be effective if all its members feel that they participate equally and that all parties benefit.

How does time management can affect the organization?

Cycle time is the total elapsed time required to complete a business process. It happens too often that the percentage of time that has to do with real work to be much too small, between 3 and 5%. The rest is consumed by unproductive activities. The challenge lies in removing these activities and this is one of the areas developed through supply chain management implementation.

5. Conclusions

Due to the crisis, supply chain acquired two tasks: it is faster and it has a lower intensity. Chain speed is given by the need to create supply without storage and interruption, without having activities that are without value. Low intensity is due to the obvious decline in demand. [10]

Under these conditions, an opportunity to talk about supply chain optimization is to talk about the advantage of cooperation in the extended enterprise. Through extended enterprise we understand an extended supply chain where all key players have created a

series of collaborative processes to enable them to achieve virtual integration and work together as an integrated team. Toyota and Chrysler have achieved a competitive advantage over their competitors because they have created a more efficient extended enterprise. The next period winners will be those who will know how to create profitable collaboration. They will understand the key trends and will continue to force companies to focus on a narrower set of skills and to develop ever more closely partnerships inside the chain. They will recognize exactly when and where to make improvements to optimize the supply chain, will develop a routine of sharing knowledge with partners, increasing in this way the level of all members.

There are three alternatives of supply chain relationships:

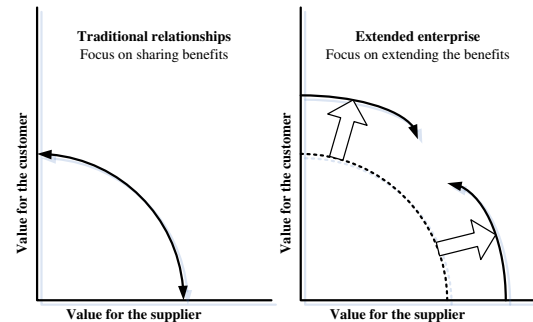
- Vertical integration or hierarchy: means that a company produces all the goods inside and can maintain control over the supply area and the customer area.
- Small length relations or markets: the company buys raw materials from a small number of suppliers, under a short term contract and makes purchases whenever the company needs input.
- Partnerships or alliances: the company buys from a small number of suppliers and builds long term cooperation relationship with them.

When trying to make these decisions, managers face a fundamental dilemma: productivity increases with the division of labor and thus with the increasing number of opportunities to purchase goods from specialized companies. However, specialization increases the communication and coordination cost. It is therefore necessary to bring activities to internal coordination in order for them to be conducted by a common hierarchical structure.

The steps in building an extended enterprise are:

1. Carefully selecting the members of the chain and approaches to be applied.
2. Creating an identity for the extended enterprise.
3. Developing close links with suppliers.
4. Developing partnerships and sharing information between other suppliers inside the chain. [4]

Figure no. 2: Extending the benefits through collaboration
(Source: Dyer Jeffrey H, 2000)



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Increasing the Competitiveness of Reinsurance Companies through Corporate Social Responsibility Practices

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Abstract

The present paper aims to highlight the role of sustainable solutions for increasing the competitiveness of the reinsurance companies in the current economic and social context. The paper is structured into five parts: an introduction about present role of CSR as a factor promoting the competitiveness of the responsible companies; a brief presentation of CSR in the insurance sector; an empirical evaluation of the CSR of Munich Re and Swiss Re, the reinsurance leaders; an analysis of the products – mainly, insurance-linked securities – of reinsurance companies for increasing their sustainability involvement, followed by a presentation of the customized products of Munich Re and Swiss for complying with the most recent economic and social needs; conclusions and recommendations. The main conclusion of the study is that incorporating sustainability solutions and CSR practices into day-to-day insurance products could lead to an essential increase in competitiveness for the insurance and reinsurance companies.

Key words: Corporate Social Responsibility (CSR), Reinsurance Companies, Socially Responsible Investments (SRI), Insurance-Linked Securities (ILS), Catastrophe (CAT) Bonds

J.E.L. classification: M14, G22

1. Introduction

In the latest communication of the European Commission regarding CSR, "A Renewed EU strategy 2011-2014 for Corporate Social Responsibility" (25 October

2011), a new definition of CSR is proposed: "the responsibility of enterprises for their impacts on society" [1]. The new definition of the European Forum emphasizes one more time the increasing role of the companies in nowadays societies, especially in turbulent times, and the necessity of companies to achieve at least two prominent objectives: on one hand, to support in economic and social terms the communities they are acting in and, on the other hand, to regain the public trust in the business environment, so hardly shaken because of the current crisis.

In the same document of the European Commission, the competitive strengthening role of responsible practices is emphasized by considering that addressing corporate social responsibility is in the interest of enterprises and in the interest of society as a whole [2]. Considering that CSR brings competitive advantages for the responsible companies, no matter their size, a thorough analysis of the links between CSR and competitiveness is presented also in the European Competitiveness Report 2008 [3], demonstrating the deep interest of the European forums in analyzing the above mentioned link.

The links between corporate social responsibility and competitiveness, or the CSR-induced benefits for the responsible companies, are deeply presented in the specialized literature, but, in brief, they could be summarized in six main categories: maximizing corporate opportunities at global level; improving relations with stakeholders; increasing brand value; fostering business on the medium and long term; minimizing operational associated risks; competitive differentiation [4].

The present research paper is going to present the link between the competitiveness of the reinsurance companies and their CSR practices.

2. CSR and competitiveness in the insurance sector

As it is often emphasized in theoretical papers and practical evidence, the financial and insurance sector is subject to tougher societal scrutiny [5], especially after the boom of the economic crisis. In this sense, proving responsibility for the society and the environment could become a good strategy for the companies in the sector to gain comparative advantages in terms of image and competitive differentiation. The direct connection between the CSR and the increased competitiveness of the insurance or reinsurance companies is made through a more efficient and effective risk management [6], both in economic and social terms.

Taking into account their important role as institutional investors, the companies in the financial and insurance sector feel the pressure of international or governmental organizations to engage in CSR practices because of two main reasons: on one hand, the shareholders' expectations to obtain good return for their investments; on the other hand, the high financial power of these companies that helps them to have a special position on the market and, as such, a greater responsibility for the community as a whole.

In this sense, the socially responsible investments (SRI) are specific instruments of CSR that institutional investors could appeal at, in order to prove their concern for social, environmental and ethical criteria. In the specialized literature, there is a large debate about the reasons or the actual implication of the companies in the sector in SRI [7].

Considering the CSR integration in their business operations, the insurance and reinsurance companies made important progresses in the last years, as the practical evidence in the next section is going to emphasize. A few years ago (more exactly, in 2005), these companies were considered "the CSR sleepers" in the financial industry [8], but the current economic and social context has made them to react more quickly to the integration of responsible practices in their day-to-day operations.

In what concerns the insurance sector, a set of factors were emphasized for leading the evolutionary trend in the direction of CSR implementation through government and sectoral collaboration (co-responsibility): gradual integration of sustainability concerns within the existing products and services; climate change and natural catastrophes; economic and social alterations [9].

3. Practical evidence on the CSR of the top reinsurance companies

The two companies presented in the following lines are leaders in the reinsurance sector by their net written premiums (for 2010) and, at the same time, they are ranked at the top of the most relevant sustainability indexes, their shares being considered by the specialized rating agencies as good and solid sustainable investments.

Munich Re: CSR is an integral part of the Group strategy and permeates all business areas and processes. The global problems that the company is trying to ameliorate through its CSR practices – by way of new coverage concepts or through innovative partnerships with different social actors – are: climate change, global geopolitical and economic interactions, demographic change and social inequalities. In this sense, taking into consideration the challenges of the communities it is acting on, Munich Re has systematically pursued a risk and investment strategy to favor sustainable development. The company reports using the GRI Principles and the Financial Services Sector Supplement and it joined United Nations Global Compact; more than that, Munich Re also became the first German company to sign the United Nations Principles for Responsible Investments (PRI). In 2010, recently published updates of the Dow Jones Sustainability Indexes and FTSE4Good Index confirm Munich Re as one of the top global groups in the area of CSR. As it is stated on its official site, the company assumes social responsibility and brings economic, ecological and social requirements into harmony, while at the same time creating value for clients and investors [10].

Swiss Re: The long-standing commitment to CSR and the accountability to all its stakeholders represent the two main areas that define the responsible conduct of the

company. Swiss Re has been a pioneer in mitigating climate change and it supports local volunteering and charity programs, sponsoring of arts and culture and global humanitarian and development programs. The company puts its CSR policy into practice in seven main directions: creating sustainability solutions; extending the risk intelligence; exploring and shaping the risk landscape; reducing the environmental footprint; being a good corporate citizen; being an employer of choice; ensuring good governance. The Swiss company also reports referring to the GRI indicators and the ten principles of the United Nations Global Compact. Swiss Re is the 2010 Dow Jones Sustainability Indexes insurance sector leader. The CSR report of the company for the year 2010 reaffirms the corporate commitment to sustainable value creation as the main engagement that it takes to its shareholders [11].

4. Products of reinsurance companies for increasing sustainability and competitiveness

4.1. The Insurance-Linked Securities as Sustainable Solutions

As part of the alternative risk transfer instruments (ART), along with the insurance derivatives and the equity-like instruments, the insurance-linked securities – ILS can be defined as a new asset class, being characterized as a pooling of insurance related cash flows which are transformed into tradable securities, in general by utilization of securitization techniques, while the underlying assets and associated income streams serve as collateral [12].

One can differentiate between the life and non-life insurance risk transfer products. While through the life insurance-linked products mortality or longevity risks are securitized and transferred, through the non-life segment the catastrophe or frequency risks stand for the underlying risks (with low probabilities of the events, but high losses in case of the event is triggered) [13].

Therefore, among the main types of insurance-linked securities one can distinct among the catastrophe (CAT) bonds, life bonds and other structures.

CAT bonds, whose main function is the risk transfer, are bonds whose coupons and principal payments rely on the performance of a pool or index of natural catastrophe risks, or on the presence of specified trigger conditions. They protect sponsor companies from financial losses caused by great natural catastrophes and offer an alternative to traditional reinsurance. Basically, the transaction involves four parties: the sponsor or ceding company (government agencies, insurers, and reinsurers), the special purpose vehicle – SPV (or issuer), the collateral and the investors (institutional investors, insurers, reinsurers, and hedge funds) [14].

Within practice, one can identify several triggering mechanisms for the CAT bonds:

- *The indemnity trigger*, when the cat bond is triggered by the actual losses of the sponsor company;
- *The industry index trigger*, when the transaction is based on an index of industry-wide losses;
- *The pure parametric trigger*, that are grounded on the measurable features of the underlying catastrophe;
- *The parametric index*, that employs more refined techniques and mathematical methods with respect to the pure parametric trigger;
- *The modelled loss trigger*, that is determined through a model that includes several physical measures of natural events and estimates losses of the sponsor's portfolio [15].

As far as the life bonds transactions are concerned, their main function is the financing function. Extreme risks of increasing mortality rates can be transferred to capital markets having as trigger a local mortality rate index, along with longevity risks. Longevity bonds often provide variable yields which depend on a predefined survival rate of a certain population. This type transaction is generally designed as a coupon-at-risk bond, also called principal-protected bond [16].

Among the other structures of insurance-linked securities one can mention the risk of cancellation of the 2006 FIFA World Cup in Germany that was transferred as a terrorism risk bond to capital markets, or the securitization of motor insurance risks in 2005 and 2007 by AXA [17].

As far as the market of these instruments is concerned, accordingly to Peter Zaffino, CEO of Guy Carpenter, ILS (catastrophe bonds, in particular) have become increasingly important to carriers seeking to remove persistent perils from their portfolios, diversify sources of capital, or pursue carefully shaped risk management plans. The acceptance of these vehicles is evidenced by the growth of the catastrophe bond market from 1997 to 2007 [18].

Regarding the economic crisis, the before mentioned specialist stated that the catastrophe bond market has resisted the broad financial market turmoil and though there were some moments of anxiety, in retrospect, these vehicles have demonstrated their usefulness, even in a difficult financial climate [19].

4.2. Relevant Examples of Insurance-Linked Securities at Swiss Re

- *Catastrophe bonds for European Perils:*

Acting as sole structuring agent and joint-book-runner for a transaction whose sponsor was AXA Global P&C, a subsidiary of the French insurance group AXA, Swiss Re Capital Markets has successfully structured and placed EUR 180 million of notes issued by Calypso Capital Ltd – "Calypso" covering European windstorm events [20].

The notes issued by Calypso Capital in the 2011-1 series are exposed to windstorms in Belgium, Denmark, France (excluding French overseas territories), Germany, Ireland, Luxemburg, the Netherlands, Norway, Sweden, Switzerland, and the UK. Therefore, this transaction will provide AXA with broader cover than the last year Calypso Capital 2010-1 series catastrophe notes, taking into account that the ones in 2010 did not include windstorm risks in Norway and Sweden. Collateralization will be achieved through the use of a collateral account and purchase and investment of European Bank for Reconstruction and Development (EBRD) floating-rate notes with the proceeds from the sale of the Class A notes that Calypso Capital will issue. Standard & Poor's have given the single tranche of Series 2011-1 Class A notes to be issued by Calypso Capital Ltd. a rating of 'BB-' [21].

- *Life bonds at Swiss Re:*

Part of its Vita Capital program aimed at transferring extreme mortality risk (including pandemics, epidemics, disasters, terrorist attacks etc.) to the capital markets through securitization, the 2011 Vita Capital IV transaction was structured into two series of notes. While the first one provides cover against catastrophic mortality in Canada and Germany, the second one provides cover against catastrophic mortality events in Canada, Germany, the UK, and the USA (including the District of Columbia, but excluding Puerto Rico and overseas territories). The investors will be at risk of an increase in age and gender-weighted mortality rates that exceeds a specified percentage of a predefined index (the mortality index value – MIV) in the covered areas, from the 1st of January 2011 to the 31st of December 2015 [22].

4.3. Relevant Examples of Insurance-Linked Securities at Munich Re

- *Catastrophe bonds for European and US Perils:*

Part of a catastrophe shelf program, the 2011 Queen Street IV deal provides protection on a per-occurrence basis over the risk period of nearly 3.5 years to Munich Reinsurance Co. The Queen Street IV Capital notes cover U.S. hurricane risks within the District of Columbia and several other US states, while the European windstorm is covered in Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, and the UK. Losses will be triggered on an industry loss basis using indices provided by Property Claims Services (PCS) for US hurricane risk, and PERILS AG for European windstorm risk. The index value for US hurricanes will be based on industry losses reported by PCS and predetermined payout factors by state. The index value for European windstorms will be based on industry losses reported by PERILS AG and predetermined payout factors by country, including constant exchange rates for both Denmark and the UK [23].

- *Life bonds at Munich Re:*

In 2008, in order to transfer extreme mortality risk to the capital markets, Munich Re has established its first mortality bond program amounting to US\$ 1.5bn. The first five-year series of US\$ 100m were principal-at-risk variable rate notes. The bonds were issued by Nathan Ltd. – "Nathan", Cayman Islands-based special purpose company, and have been priced at LIBOR plus a 135 basis points spread. The program was designed to protect Munich Re against large losses deriving from an exceptional rise in mortality rates after major pandemics or similar events in the following countries: USA, Canada, England and Wales and Germany [24]. The transaction was placed with investors across the Americas, Europe and the Asia-Pacific region. Munich Re said it structured the program so that Nathan can issue future series of notes at short notice if there is increased capacity demand from Munich Re's reinsurance clients [25].

5. Recommendations and conclusions

The examples provided in the above lines emphasize the increasing role of sustainable solutions in all areas of business and economics, but especially in the insurance sector, taking into account the occurrence of catastrophes lately and the changes in the economic and social climate that affected most of the countries.

The focus was put on two of the most important reinsurance companies of the world – Munich Re and Swiss Re – for identifying and explaining the basic mechanisms of a complex range of insurance-linked securities that incorporate sustainability and CSR challenges. The products presented reflect the societal changes – in social terms, and the new societal needs – in economic terms.

The increasing use of these products by Munich Re and Swiss Re is one of the triggering factors of their competitiveness on the market. This should be a good example to be followed by other companies in the insurance or reinsurance sector, aiming at increasing their competitive advantages and adapting more easily to the sustainability and CSR prerequisites of the market in the current economic and social context.

6. Acknowledgement

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Keep It Formative, Stupid! Brand-Related Model

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Abstract

This article deals with measurement scales in marketing research, focusing on the existing types of scales (formative versus reflective) and on the assessment modalities of the reliability and validity level of both scale types. As concerns formative and reflective scales, the decision in choosing the right model depends not only on theory and empirical studies, but also on the researcher's imagination and inspiration.

Key words: formative and reflective scales, validity and reliability, brand strategies, crisis

J.E.L. classification: M31, M37

1. Introduction

The measurement scales in marketing research are a subject of interest for specialists in the field. Current orientations attempt to warn us not to fall in the trap of the misspecification of the measurement model [1] [9] [11], by succinctly presenting the theoretical and historical differences between the models – approach embraced by most researchers in the field – and by referring to other works in this area of interest, which presented case studies on models of scales, be they formative or reflective [1].

Given the fact that social sciences are the source for studying latent variables, most researchers in this subject field assume that indicators are effect indicators. Cause indicators are often neglected, despite their appropriateness [9]. Diamantopoulos (1999), as well as other specialists in marketing research, does not recommend us to become fond of a particular model, but rather to consider both measurement approaches in order to reach an informed choice as to the

most appropriate measurement model for their needs [7]. The correct definition of the concept and the wording, along the same lines, of the questionnaire, are the summarizing solutions proposed by Baxter (2009) so as not to fall in the trap of one of the two accepted models [1]. In line with the above, the article written by Coltman et al. (2008) supports the idea of making a decision by referring to theory and to empirical corroboration [5]. Current marketing research, based on questionnaires, tends to resort to formative scales although there are a number of controversial and not fully resolved issues concerning the conceptualization, estimation and validation of formative measures, among which the treatment of indicator multicollinearity, the assessment of indicator validity and the interpretation of formatively-measured constructs.

This article shortly presents the theories of the measurement models belonging to Structure Equation Modeling (SEM), namely the reflective and formative models, as well as some assessment modalities concerning their degree of reliability and validity.

2. What one should know about reflective and formative scales

Two types of measurement models, more specifically the reflective and the formative one, can apply for the assessment of the latent construct. These two models differ with regard to the nature of the construct, the causality direction between the indicators and the latent construct, as well as with regard to the characteristics of the indicators used for the measurement of the construct [5].

The reflective model is the product of research in the field of social sciences and relies on the traditional testing theory of Lord and Novick (1968) and primarily on the

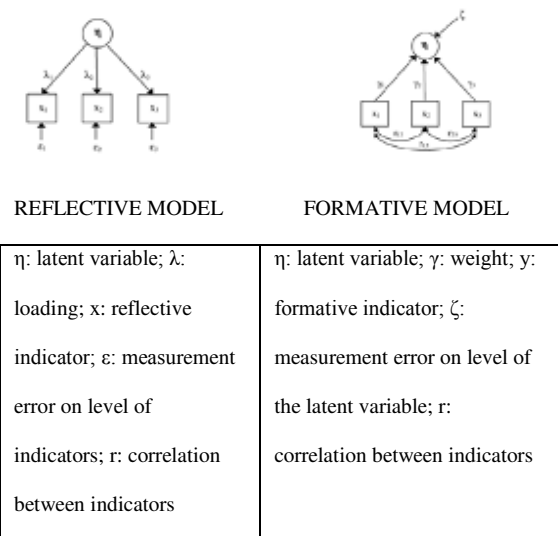
domain-sampling model (e.g. Nunnally and Bernstein, 1994) [7]. The reflective model is the most widely used approach in marketing research, although some researchers consider that this may not be the most appropriate choice (e.g. Baxter, 2009). In the reflective model, the latent variable (η) is positioned as the main cause of the behavior of items or indicators. As one may notice in figure number 1, the causal action manifests its latent variable influence on the indicators. *Change in the construct implies change in the indicators. Change in the latent variable results in variation in the indicators* [2]. Thus, all indicators share a common theme and are interchangeable. This interchangeability enables researchers to measure the construct by sampling a few relevant indicators underlying the domain of the construct. Inclusion or exclusion of one or more indicators from the domain does not materially alter the content validity of the construct [5]. Thus, reflective measurement is consistent with the confirmatory factor analysis (CFA) model for the variance in each indicator is shown as a (linear) function of the underlying latent variable plus error [7].

Unlike in the reflective model, in the *formative model* the causal direction starts from the indicators (independent variables) and moves towards the latent variable. High correlations between formative indicators might occur, but they are not generally expected. Researchers must be aware that factor analysis and Cronbachs Alpha are inappropriate methods of evaluating a formative measure [14]. The latent variable is the dependent variable and the indicators are the explanatory variables. Diamantopoulos (2008) points out several characteristics of this model, which make it distinguishable from the reflective model [9]. For example, the indicators characterize a set of distinct causes which are not interchangeable, as each indicator captures a specific aspect of the construct's domain (see also [11] and [14]); indeed, the omission of an indicator potentially alters the nature of the construct [2].

In addition, there are no specific expectations about patterns of intercorrelations between the indicators; formative indicators might correlate positively or negatively or they might lack

any correlation. Some researchers point out that formative indicators have no individual measurement error terms, that is, they are assumed to be error-free in a conventional sense. The error term (ζ) is specified at the construct level and does not constitute a measurement error. The formative model is also characterized by the fact that, in insolation, it is underidentified and, therefore, it cannot be estimated.

Figure 1. Reflective and formative models



The new interpretations given of reflective and formative scales shown that each researcher can choose a particular measurement model, depending on his own field of interest and on the methods or instruments that are to be employed (the use of the questionnaire cannot be compared with the use of experiment or observation, for these latter methods involve the use of reflective scales).

3. Rethinking brand strategy – a formative model

Whoever thinks that it is easy to configure this kind of model could not be more mistaken. It involves consulting specialized literature in the attempt of finding the best solution for one's research with regard to brand strategies. The formative model involves certain criteria that must be fulfilled in order to create the reliability and validity of the built model. Starting from the study of specialized literature and of the cases studies

presented by various specialists in the field, one can choose and build one's own model, by relying on the applicative studies of [6], [4], [3]. For these purposes, one can use, just like Bruhn et al. (2008) the generic guide for formative constructions, formulated by Diamantopoulos and Winklhofer (2001), which comprises four stages: specifying the content, specifying the indicators assessing the collinearity of the indicators and last but not least, the assessing of external validity.

4. Specifying the content

The changes that have occurred at the level of consumer behavior during this period of economic crisis have determined managers to rethink their brand strategies. Research starts from the following hypothesis: *If the periods of economic recession create new consumption habits, then we can speak about the necessity of some brand strategies for the New Consumer.* Research will be conducted at the level of companies and is aimed at making the organizations aware of the fact that they must adjust their brand strategies to the New Consumer. The concepts used in this research are strategy, brand, brand strategy and brand value.

Nowadays, strategy is seen as *a plan or method for achieving something, especially over a long period of time, as the skill of planning how to achieve something, especially in war or business* (MacMillan Dictionary), or as *an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage* [10]. These strategies are applied by using the resources of the company.

The American Marketing Association defines the brand as a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers [12].

By combining the two concepts, companies can conceive brand strategies. The rethinking of the used strategies is imperatively necessary in order to adjust to the current context. Managers or marketers can generally choose between the following types of strategies: *line extension* (an already existing brand which is extended, within the same category, to new dimensions, colors, shapes or flavors of the product), *brand*

extension (the name of the brand extended to new product categories), *multibrands* (new verbal identities introduced in the same product category), *a new brand* (a new brand introduced for a new product category) or *cobrands* (the combination of the names of two or more brands) [12].

The primary role of the brand, in order to create value, is to generate trust, affection and loyalty. As cattle owners used to brand their cattle in order to know which ones were belonged to them, the companies will try, through the brand, to transfer to the consumer's mind, apart from the visual identity of the brand, values, attitudes and behaviors.

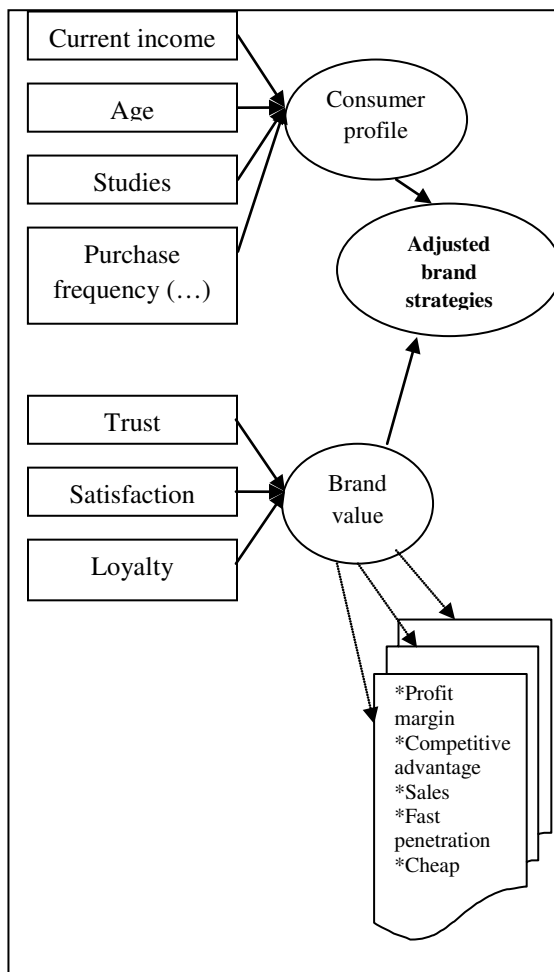
5. Specifying the indicators

As one may notice in figure number 3, the model is a formative structural one [9] made up of three latent variables, namely: target consumer profile, brand value and adjusted brand strategies. Each of the three latent variables is the effect of the presented causality indicators. Trust, affection and loyalty are measured with the help of the scale developed by Chaudhuri and Holbrook [13]. Trust was measured with the help of statements such as: *I trust this brand, I rely on this brand*, and affection through statements such as *This brand makes me happy* or *This brand gives me pleasure*. Two aspects of loyalty were taken into consideration: purchased loyalty (*I will buy this brand the next time I will purchase this type of product, I intend to continue to buy this product*) and attitude-loyalty (*I am addicted to this product; I am willing to pay more for this product*). Numerous studies analyze the relation between customer satisfaction and loyalty, starting from the premise that satisfaction plays a key role in explaining brand loyalty. Brand reputation, the influence of the group to which it belongs and recommendations are some other elements that contribute to obtaining loyalty. By winning the consumers' trust, affection and loyalty, companies can obtain significant advantages, such as: competitive advantage, increased profit margins, increased sales, fast market penetration, inexpensive extension of the product range.

6. Assessing the collinearity of the indicators

According to [6], the formative model will rely on four main hypotheses: -the causal direction is from the items towards the construct; -some indicators are independent; -covariance between indicators is possible, but not also necessary (change in an indicator does not involve change in another indicator) and, -indicators may have different antecedents and consequences [3].

Figure 2. Rethinking the brand strategy – a model (Brand Strategy Model - BSM)



In terms of dimensionality, if one takes into consideration the reflective model as well, BSM represents a multidimensional construct with two dimensions, each of them including various facets of BSM that might indicate separate constructs but that also represent integral parts of BSM at a more abstract level.

7. Conclusions

Baxter's (2009) conclusion, according to which construct conceptualization determines the formative or reflective nature of the model [1], is also shared by [8]. Choosing the right model depends not only on theory and empirical studies, but also on the researcher's imagination and inspiration. Due to the importance given, in the current context, to the brand, one of the main problems that managers must solve refers to the structuring and management of the entire brand portfolio. The presented model is synonymous with the creation of value through brand, value communication to customers and strategy.

8. Acknowledgement

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The Romanian Economy and Europe 2020 Strategy

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Abstract

The strategies for economic growth on a medium and long term meet the future economic crises to the extent in which they are built on an economic reality that is more than evident in the current period. Despite the problems facing the European Union, Europe 2020 is meant to cause a large change in the economy due to its targets. The analysis of the figures recorded in the previous period as well as the economic perspectives may show whether the targets established for our country are realistic.

Key words: the strategy, employment, innovation, environment, education

J.E.L. classification: E 24, F 00

1. Introduction

The economic evolutions in the last period of time have led to the elaboration of different strategies at the level of the states and at the level of the European Union.

These strategies did not represent objectives set as a result of the current crisis, and they existed before it, but we should underline the overview of the new strategy.

For the next 10 years the EU has adopted Europe 2020, a strategy that emphasizes the importance of changes at present and in the future, a strategy of economic growth (a poor aspect for most states). This strategy is intended to make the transition to a smart, sustainable social inclusion and to support it. These three directions of action are interdependent determining the employment

level, the growth of productivity and the increase of social cohesion.

Europe 2020 has five major objectives:

- employment
- innovation
- environment / energy
- education
- social inclusion

In this strategy they have established different specific major indicators and levels for each objective to be achieved in 2020, but the member states have adopted their own national objectives in these five areas.

2. Content

This paper will highlight the comparative levels established for the five major objectives in Romania and in the European Union and will argue if our country can meet these objectives by 2020 starting from the current situation that we face, but anticipating the potential adverse effects determined by the current situation in Europe.

Employment

The first major objective of Europe 2020 aims at achieving 75% employment rate of people aged between 20 and 64. Romania aims to reach an employment rate of 70% in the same period.

The current situation in the European Union and in Romania is shown in Table 1.

The EU average should grow by 6.4% and our country average by 6.7% so that in 2020 the objective could be achieved. If we look at the figures in the last 10 years in Romania we can see that this indicator decreased by 5.8%.

During 2000-2008, in our country, the real GDP rate was positive and it showed high values compared to the period 1990-1999, but it failed to increase the employment rate. What our country intends to achieve in 2020 is a difficult level to achieve, especially that the difficult economic crisis has not peaked yet. The recent years have been defined by an increase of the businesses that went bankrupt and a reduction of foreign investments (from 9,496 million euros in 2008 to 2,696 million euros in 2010). These assumptions can not support a future growth of the employment rate.

Table no. 1 Employment rate of persons aged 20-64 in 2010

	Total	Men	Women
EU (27)	68.6	75.1	62.1
Romania	63.3	70.8	55.9

Source: <http://epp.eurostat.ec.europa.eu>

The structure by gender shows that men's employment rate reached the established level since 2010, but the employment rate of women is poor, particularly in Romania. The first necessary step is to increase employment of females.

Innovation

In the current economy it is necessary to emphasize the importance of innovation, so that the Strategy established that 3% of the GDP must be spent on research and development. Romania has set for this major objective 2% of the GDP.

The data known for the gross domestic expenditures on research and development are quite old (since 2000) and demonstrate that in the respective year the European Union used 1.86% of the GDP for research and development, while in our country the percentage was 0.37. The National Institute of Statistics provided recent data on the costs of research and development and the figures are 0.47% of the GDP in 2010 (about 2.413 billion lei) and 0.48% of the GDP in 2009. Starting from these figures, we cannot say that we will succeed in using 2% of the GDP for research and development even in 10 years' time.

The winner will be that state that understands that to be competitive on the market it needs to preserve the gray matter and to increase investments in this area.

Environment/energy

There are three objectives that must be achieved in the field of environment and energy:

- 20% reduction in the emissions of greenhouse gases compared to 1990 (1)
- increase of the share of renewable in gross final energy consumption by 20% (2)
- 20% increase in energy efficiency - indicator: the energy intensity of the economy (3)

Romania has set the achievable targets: 20% reduction in greenhouse emissions compared to 1990, increasing the share of renewable in final energy consumption by 24% (indicator which exceeded the EU target) final primary energy saving of about 10 Mtep.[3]

Table no. 2 Indicators specific to environment and energy

	1 (2009) 1990=100	2 (2008) %	3 (2009) Mtep
EU (27)	83	10.3	165..2
Romania	52	24	576.9

Source: <http://epp.eurostat.ec.europa.eu>

The analysis of the energy potential of renewable energy sources shows that, to achieve the target set for 2020, Romania will have to build 63.5% of the total of the available renewable energy sources.

Education

Education in the European Union wants the rate of young people leaving early education and training to be lower than 10% and at least 40% of people aged between 30 and 34 to have completed their higher education or equivalent.

In the European Union the rate of young people who have left education prematurely has been decreasing in the last 10 years, from 17.6% in 2000 to 14.1% in 2010.

Romania has set the benchmark for this indicator the value of 11.3%. From 2002 until 2008 the rate of young people who left

early education was in decline, from 23% to 15.9%. the increase of this percentage has occurred amid rising unemployment and reducing the evolution of the GDP, so that in 2009 the rate recorded the value of 16.6%, and in 2010 it was 18.4%.

Table no. 3 Rate of young people who dropped early education in 2010 (%)

	Total	Men	Women
EU (27)	14.1	16	12.2
Romania	18.4	18.6	18.2

Source: <http://epp.eurostat.ec.europa.eu>

The figures in Table 3 show that the tendency of early abandonment of education is higher for males, which may slightly explain a reduced increase in the rate of employment of males aged between 15 and 64 in the last two years in Romania. The premature abandonment of education is closely linked to reduced material possibilities available to families of those who fall into this category.

Table no. 4 Proportion of population aged 30-34 years with tertiary education level in 2010 (%)

	Total	Men	Women
EU (27)	33.6	30	37.2
Romania	18.1	16.7	19.6

Source: <http://epp.eurostat.ec.europa.eu>

With regard to this indicator, our country has established a much lower level than that the one proposed by Europe 2020, but in the current conditions it seems to be quite realistic i.e. 26.7%. It should be noted that the share of females who have higher education in the group age 30-34 years is higher than the share of males.

The increase of the percentage of people who have completed their higher education is conditioned by the high school preparation, while the results obtained in the last years at the baccalaureate exam are not a real base to support this indicator. The graduation level of the baccalaureate exam in recent years is in a continuous decrease: 81.47% in 2009, 69.3% in 2010 and 44.47% in 2011 to resolve disputes.

Social inclusion

In this area, it is required to reduce poverty, because at least 20 million people are at risk of poverty and exclusion. There are four indicators that identify the problems of social inclusion:

- people at risk of poverty or social exclusion (1)
- people living in households with low labor intensity (2)
- people at risk of poverty after social transfers (3)
- people with severe material deprivation (4)

Table no. 5 Indicators specific to the social inclusion in 2009 (%)

	1	2	3	4
EU (27)	23.1	9	16.3	8.1
Romania	43.1	7.7	22.4	32.2

Source: <http://epp.eurostat.ec.europa.eu>

Romania tries to reduce the number of people at risk of poverty or social exclusion with 580,000 persons compared to 2008, representing a 15% reduction in the number of persons in poverty.

The reduction of these indicators in our country is for now only a pure statistical presentation as the last measures taken have affected those groups of people with a low income.

3. Conclusions

The employment rate of the population in the age group 20-64 years is an indicator that is not far from the target set for 2020, but the previous figures and the current evolution of the economy do not support the achievement of this indicator within the range set.

Investments in research and development were in all years after 1989 a domain that was not funded too much and the attempts to increase the amounts utilized will not be able to reach 2% of the GDP.

The rate of the youth who have dropped out early education in Romania has been increasing in the last two years, and the values recorded before 2008 were neither close to the target of our country, so a value of 11.3% is difficult to achieve.

The proportion of population aged 30-34 years with tertiary education level is one of the indicators that are likely to reach the target, because in recent years we face an increase of the percentage of those that can be found in this category, but it must be supported by increasing the graduation degree of the baccalaureate exam.

People at risk of poverty and social exclusion calculated as a percentage of the population is an indicator of decline, but with extremely low values in the last three years (45.9% in 2007, 44.2% in 2008 and 43.1 % in 2009).

The percentage of the people living in households with low labor intensity is decreasing in Romania, as well as in the European Union, but it should be noted that the value recorded in our country is lower than the European one.

The percentage of the persons at risk of poverty after social transfers in Romania has been 24.8% in 2007 to 23.4% in 2008 and 22.4% in 2009.

The percentage of the persons with severe material shortages in Romania was 36.5% in 2007 to 32.9% in 2008 and 32.2% in 2009.

Of all the indicators specific to Europe 2020, with regard to the share of renewable sources in the final energy consumption in Romania, it has been established a level higher than the EU average. The probability to record the 2020 levels set by our country is low, even though the National Reform Program (2011-2013) shows the necessary steps to achieve them. Yet we must distinguish between the beautiful presentation of figures in various documents and the existing economic reality both in Romania and worldwide.

The economic crisis has shown its effects in Romania later than in other states, but these still leave expected decrease, and the world situation is not reassuring to anyone. It is certain that our country has not been and will not be directly influenced by these disturbances, but indirectly and unfortunately we feel the decrease of some important macroeconomic indicators.

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Normality in the Current Economy

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Abstract

The financial crisis represented the moment when the economists triggered the statements which predicted the change of the current type of economy. The crisis showed the failure of the current economy and it created the premises either for the fundamental change of the current model or for the emergence of another model. An analysis of the main macroeconomic indicators in the world's powerful states, but also in the states that acutely experienced the effects of the crisis will reveal the big picture of the current economic model.

Key words: the economic crisis, inflation, unemployment, the economic model

J.E.L. classification: E 00, E 24, E 31

presents a model that the current economy could implement, a model to replace the current type of economy.

The return to the past and the search of ideas by analyzing what is known is an example given by these economists out of a desire to present this new type of economy.

Capitalism is a system which has undergone a series of crises, harsher or less harsh, but which has always managed to recover. Capitalism recovered after the crisis in the '30s, considered the hardest crisis up to the current one, but will capitalism be able to save itself now?

George Soros stated “we are able to know some aspects of reality, but the more we understand, the more it remains to be understood.”

2. Content

1. Introduction

Currently, the up-to-the-minute term used in economy is its re-spiritualization. It is crystal-clear that today we have to talk about a different type of economy and that changing the production, distribution and consumption method is required. These issues, theoretically presented, seem innovative, a new stage towards the future type of economy, which is impetuously required by the mutations in the real economy.

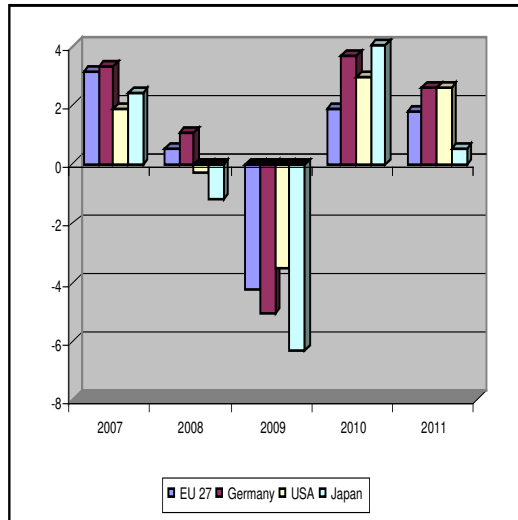
The present-day economists, many supported by different marketing strategies, already proclaim the downturn of the current type of economy, but strangely none of them

The economist Mohamed El-Erian called the current period the “new normality,” so that people should become aware of the changes occurred in economy and learn to evolve in these conditions. The high economic growth that characterized the pre-crisis period will no longer be recorded in the following period; on the contrary, an economic growth of 3% represents the guarantee of a developed economy. The new normality involves causing crises in various fields, such as the sovereign debts crisis, a crisis currently affecting the world's largest economies.

The new normality of the world's economy is highlighted by some macroeconomic indicators specific to the world's powerful

states, but also to the states facing difficulties.

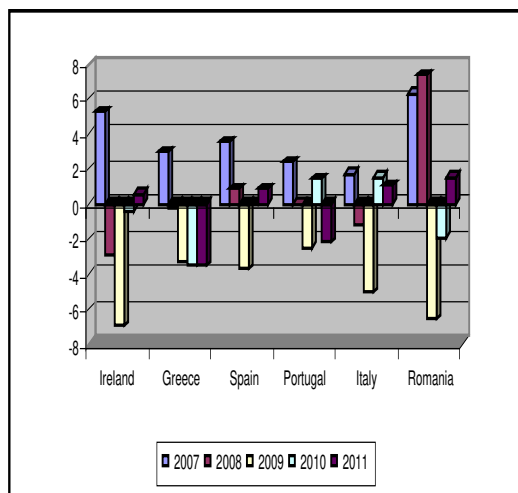
Figure 1. The real GDP in the major world economies



Source: <http://epp.eurostat.ec.europa.eu>

The economic reality tends to confirm this economist's statements if we analyze the values recorded by the real rate of growth of the GDP in the world's major economies, but also in the states which are currently facing the real problems caused either by the economic-financial crisis or by the sovereign debt crisis.

Figure 2. The real GDP in EU states



Source: <http://epp.eurostat.ec.europa.eu>

Before the economic-financial crisis between the states presented in the first two Figures, Romania recorded the highest growth rate in the GDP of 6.3%, followed by

Spain with 3.5% and by Germany with 3.3%. These values were recorded in the year predicting the crisis, the end of 2007 triggering the real crisis in the USA. In 2008 the crisis was felt globally leading to a reduction in the rate of growth of the GDP, in many countries even reaching negative rates. Our country was not yet affected in 2008, registering a record rate of 7.3% for that period.

In 2009 the decrease of the GDP rate continued with values higher to the previous year and Romania recorded a rate of -6.6%, one of the highest rates of all the states analyzed (only Ireland exceeded this value with -7%). The enormous difference characteristic to the Romanian economy shows that in the period previous the economic growth was not of a sustainable type, it was not a sustainable growth.

The year 2010 represented for most economies a period of recovery, of recording positive values for the GDP rate. Our country was not among these states, but the percentage is closer to zero than in 2009, while Greece faces a sharper fall in the GDP.

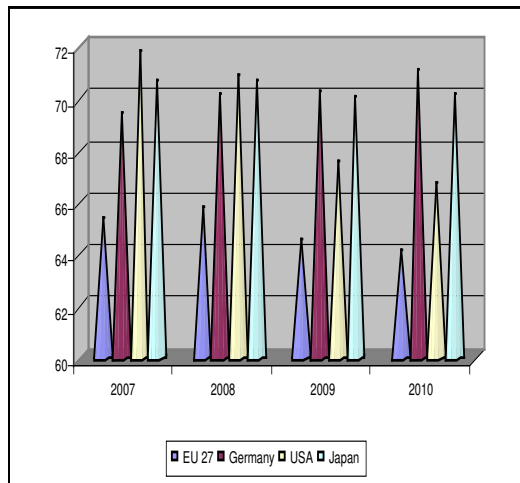
The forecasts for 2011 are positive for the states analyzed, except for Greece which is flush with the year 2010. Clearly the situation in this country is difficult and the economic results confirm this.

Even if the USA was the state that triggered the crisis, it did not significantly influence the real rate of the GDP which recorded negative values in 2008 (-0.3%) and in 2009 (-3.5%). In 2010 it reached 3% which according to the economist Mohamed El-Erian shows that the economy is performing and the forecasts for the current year present the value of 2.6%.

Japan recorded in 2009 a decrease by 6.3% compared to the previous year, but it managed to reach a value of 4% in 2010. However, the Japanese economy has not recovered completely, recording fluctuations in this indicator since for 2011 a value of 0.5% is estimated.

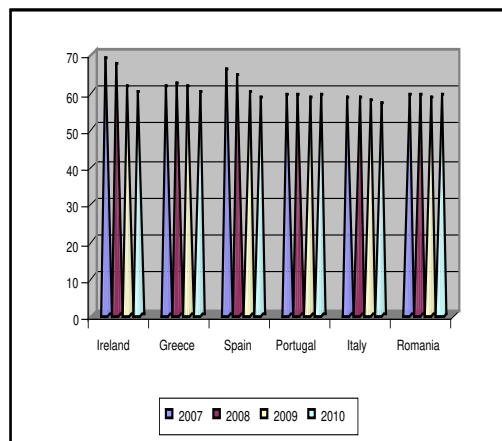
The values recorded by the GDP are clearly determined by a number of macroeconomic indicators, but we consider that the employment rate is the most important, as it achieves the gross value added during a year. The employment rate percentages vary in the analyzed countries, the trend being one of reduction.

Figure 3. Employment rate in the major world economies



Source: <http://epp.eurostat.ec.europa.eu>

Figure 4. Employment rate in the EU states



Source: <http://epp.eurostat.ec.europa.eu>

The EU the employment rate showed a decrease in the last two years, but this is not significant. The employment rate at EU level was of 64.1% in 2010, but the Europe 2020 Strategy established the achievement of the 75% target.

Germany is the only state of those analyzed which in the four years obtained growth of the employment rate, even though in 2009 the real GDP growth rate decreased by 5.1%. Germany, the USA and Japan have obtained values of the employment rate of around 70%.

In the U.S. this indicator has decreased progressively since 2007, the biggest difference was recorded between 2008 and 2009, when the employment rate reached 67.6% from 70.9%.

Japan retains a high employment rate, over 70%, even if it recorded a 0.7% decrease between 2008 and 2009.

Greece has obtained values of the employment rate of around 61%, the differences between the years being insignificant, but recording a decrease. Spain has experienced a sharper decrease of the indicator since from 64.3% in 2008 it reached 59.8% in 2009, and in 2010 it reached 58.6%.

Romania maintains the employment rate around 58%, with reduced changes in the four years analyzed.

Italy is the country with the lowest employment rates of the countries listed, falling within the general trend of reducing the indicator, obtaining a value of 56.9% in 2010.

The share of the public debt in the GDP reveals the states' degree of indebtedness. The sovereign debt crisis is looming for several states that record significant values of this indicator. Among the analyzed states, Japan faces the highest percentage (197.5%), but the Japanese economy provides enough reliable proof, so that no one has talked about the impossibility to pay. Greece has reached a share of the public debt in the GDP of 142.8%. Among the other European states, Ireland and Italy record values close to 100%. Romania has a debt level of 30.8% of GDP, representing the country with the lowest percentage.

Table 1. Public debt in 2010
(% of GDP)

Ireland	96.7
Italy	119.1
Japan	197.5
Germany	83.2
Greece	142.8
Portugal	93
Romania	30.8
Spain	60.1
USA	62.3

Source:

<https://www.cia.gov/library/publications/the-world-factbook>

The unemployment rate has different values in these states, the most affected state being Spain with a value of 20.1%. Ireland records the next level of the unemployment rate with 13.6%, and Greece occupies the

next position with 12.5%. Romania reached in 2010 an unemployment rate of 6.9%.

Table 2. Unemployment rate in 2010
(%)

Ireland	13.6
Italy	8.4
Japan	5
Germany	7.1
Greece	12.5
Portugal	10.8
Romania	6.9
Spain	20.1
USA	9.6

Source:

<https://www.cia.gov/library/publications/the-world-factbook>

The measures adopted by these states to overcome the crisis, as a rule, have not increased the annual inflation rate, so that Germany, U.S. and Japan are characterized by deflation. Greece has recorded a fluctuating inflation rate by reductions or increases of 3% from one year to another. Romania has recorded higher values of the inflation rate as compared to the other states analyzed because in 2008 the inflation rate was 7.9%, 5.6% in 2009, and in 2010 it reached 6.1%.

The states analyzed were those which have undergone the effects of the economic-financial crisis, being either powerful states or states with real problems today. This paper has not presented data on the second economy in the world and the state that appears to not have been touched by the crisis because the arguments concerned the capitalist system. The indicators specific to the Chinese economy are surprising for this period, in the sense that the real GDP growth rate was 10.3% in 2010 and the public debt reached 18.9%.

All these indicators show how unpredictable the effects of the economic-financial crisis have been for different states. Clearly, the indicators presented are not the only ones showing how strong or weak an economy is, but they also provide an overview of what is happening in each economy.

3. Conclusions

The situation described above involves only a few indicators, but it is enough to show the state of the economy both in the world's developed countries and in the European countries facing the crisis.

Could this current normality lead to a new type of economy? Among the prophets announcing the end of capitalism or at least of its current form, George Soros is the most obvious in his statements to the public. He believes that this financial crisis shows that the markets fail to fulfil their role in economy, requiring government intervention. The failure of the markets is much too obvious to be hidden, and Soros believes that he can reorganize the whole economic system. This reorganization though out by Soros no longer includes the U.S. as central state around which the entire economy revolves.

Soros strongly attacked Greece and the euro area being convinced that this country can no longer be saved from bankruptcy, which will trigger a snowball effect for the other countries in the euro area which have significant debts. But still, half of Greece's debt was cleared in order that this country's possible bankruptcy does not deteriorate more than it has already done the euro area and that it does not attract a vicious circle Spain, Portugal, Ireland or even Italy.

Could it be that this debt reduction for Greece does nothing else but confirm that the new type of economy must be changed? Time alone will demonstrate the occurrence of another type of economy.

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States' role in Stimulating the Investment Process. Romania's Case

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Abstract

The economic environment, constantly evolving and developing, requires companies a great flexibility. One of the biggest challenges of a firm is to adapt its activity to the changing requirements of the business environment. Given the fact that technological progress is accelerated, Replacing obsolete equipment, launching new products, increase production capacity of the enterprise, creating subsidiaries or the acquisition of financial holdings are just some of the objectives of an organization. To achieve these objectives financial resources are needed, obviously,. Thus, investments appear as a necessity in the life of a company.

Key words: project investments, regional state aid.

J.E.L. classification: H30.

1. Introduction

The investment process is the material support for economic development, on which the growth and diversification of all production factors is based. Moreover, investments made in most disadvantaged regions is a key factor of progress. Therefore, in order to support the economic development, national regional state aid is granted within the European Union.

State aid Community acquires grants regional state aid allowances for companies in compliance with EU Guidelines on National Regional Aid for 2007-2013, respectively European Commission Regulation no. 800/2008 declaring certain categories of aid compatible with the common market.

According to EU Guidelines on National Regional Aid for 2007-2013, the form of the aid is variable. Aid may be awarded as

grants, low-interest loans or interest rebates. Further more, aid may consist of state guarantees, purchases of a share-holding or an alternative provision of capital on favourable terms, but also several tax, social security and other compulsory charges exemptions or reductions, or the supply of land, goods or services at favourable prices[1].

The investment aid granted for large companies in the EU refers to investments made in the most disadvantaged regions within the specified area, promoting investments and job creation. It addresses to the growth of the economic activity of the companies located in certain regions (qualified as disadvantaged regions). Mainly, the scope of the aid is to facilitate the set-up of new establishments in the specified regions.

Given Romania's accession to the European Union, an increasing number of companies have become interested in investing in Romania. States' involvement in the investment process, although not determinant, plays an important role. Based on Community legislation, three regional state aid schemes were developed, established by Government Decision:

- Government Decision no.1165/2007 to stimulate economic growth by supporting investments;
- Government Decision no.1680/2008 establishing a state aid scheme for ensuring sustainable economic development;
- Government Decision no.753/2008 establishing a regional state aid scheme by stimulating investments.

I will further focus my attention on the last of the three presented here, respectively Government Decision no.753/2008 which is in terms with EU Guidelines on National Regional Aid for 2007-2013 regarding large investment projects. I will detail the conditions that need to be met by a company in order to obtain regional state aid when investing in large projects.

2. State aid established by Romania’s Government Decision no.753/2008

Government Decision no.753/2008 establishes a state aid scheme. State aid scheme provisions apply to large companies (hereinafter referred to as companies) registered under the Act no. 31/1990, which invest in Romania and meet the following conditions:

- make an initial investment with a value exceeding euro 100 million, equivalent in lei, and the amount of eligible costs exceeds euro 50 million, equivalent in lei;
- create at least 500 new jobs as a result of completion of the initial investment.

There are several exemptions to this state aid scheme, respectively aid granted in the following sectors: production of agricultural products listed in Annex 1 to the Treaty establishing the European Communities, fishing, coal industry, steel, transport, construction of ships, synthetic fibers.

Duration of aid scheme is 5 years, respectively the period between 2008 and 2012. Extension of the initial period is possible by one year and can only be made after notifying the European Commission and obtaining its approval before 2012.

The total aid scheme maximum budget is euro 575 million equivalent in lei and the annual average budget that of euro 115 million equivalent in lei, limited by the ceiling set for the 5 years period.

In order to ensure a viable and efficient level of aided investment, the initial contribution of the beneficiary for financing the specified investment must be that of at least 50% of eligible costs, in a form not to subject to any other public aid.

State aid is awarded to those enterprises that make initial investments in large investment projects. An initial investment is an investment in fixed assets, tangible or intangible, referring to: creating a new unit, extension of an existing unit, diversifying the production of a unit by developing new products, or changing the production process of an existing unit. Also, initial investment is an investment in fixed capital consisting of the purchase of a closed unit, except the case of a unit belonging to a company in difficulty.

In addition to making large investments and creating new jobs, companies seeking state aid must meet a number of general conditions:

- Must not record state budget debts;
- Must not be in the enforcement procedure, bankruptcy, reorganization, dissolution or other similar situations;
- Must not be considered as firms in difficulty;
- Must submit a plan on how the investment will be used for state aid;
- Must not have activities in fields such as fisheries, aquaculture, industria coal, steel, transport, primary production of agricultural products, etc.

State aid is awarded to selected enterprises, within the maximum allowable intensity calculated according to the above formula, and consists of granting the state budget, the grant amounts.

State aid exceeding euro 30 million equivalent in lei, which is intended to be given in the Bucharest – Ilfov region, and respectively, 37.5 million in other regions must be individually notified to the European Commission.

3. Calculation of the state aid

Regional investment aid is calculated by reference either to the investment costs of tangible and intangible assets resulted from the initial investment project or the estimated wage costs for jobs directly created by the investment project, whichever is the greater.

If state aid is calculated considering the investment costs, eligible costs are the costs of tangible and intangible assets. These are obtained “by centralizing the expenses elements taken from financial accounting” [5].

Costs of tangible assets include those expenses related to acquisition of land, buildings and equipment. In case the acquisition of a tangible asset, other than land or buildings, is made throughout leasing operations, only financial leasing is considered eligible. Moreover, the lease contract must specify the beneficiary’s obligation to purchase the assets at the end of the lease. Lease purchases of land or buildings must be valid at least 5 years after finalizing the investment.

Costs of intangible assets include those expenses related to technology transfer through acquisition of patents, licenses or know-how and unpatented technical knowledge. These expenses must not exceed 50% of the total eligible costs of the investment project.

If state aid is calculated considering costs incurred by creating jobs, eligible costs are wage costs of the new-employed, calculated over a period of two years. Wage costs include gross wages and mandatory monthly contributions.

Job creation refers to a net increase in the number of employees directly employed by the aid-beneficiary unit, given the average number of employees for previous 12 months. Jobs lost during this period of 12 months shall be deducted from the apparent number of jobs created during that period.

It is considered that a job is directly created by an investment project if it refers to any activity that is related to the investment and is created within 3 years after completion of the investment. Jobs created as a result of an increase in the level of capacity incurred by the investment are included in the same category.

Raw intensity of state aid is calculated by adjusting the regional ceiling depending on the amount of eligible costs. Government Decision no.946/2006 establishes the regional ceilings (R) to 40% for Bucharest – Ilfov region, respectively 50% for all other regions, except the above mentioned Bucharest – Ilfov region.

Eligible costs are costs related to the initial investment, i.e. costs tangible and intangible assets or wage costs for jobs created by the investment project.

Depending on the amount of eligible costs of the investment project, aid ceiling may suffer some adjustments (Table no.1).

Table no.1. Assessment of large investment projects

Eligible expenditure	Adjusted aid ceiling
Up to EUR 50 million	100 % of regional ceiling
For the part between EUR 50 million and EUR 100 million	50 % of regional ceiling
For the part exceeding EUR 100 million	34 % of regional ceiling

*Source: EU Guidelines on National Regional Aid for 2007-2013

Therefore, eligible costs of the investment projects are adjusted by an adjustment coefficient which varies as follows:

- 0.5 for eligible costs between euro 50 million and euro 100 million, equivalent in lei (B);
- 0.34 for eligible costs exceeding euro 100 million, equivalent in lei (C).

Thus, the maximum amount allowable (A) as state aid for an investment project is calculated using the formula:

$$A = R \times (50 + 0.50B + 0.34C).$$

To illustrate how the maximum amount allowable is calculated, I will take the example of S.C. Complex Energetic Turceni S.A., a company awarded with state aid in 2010. The company, whose activity is entirely focused on producing electricity and heat, received a state aid for the investment made in order to improve the efficiency of energy block no.6. The company's investment was aided as it proved to create a number of 500 new jobs and the total amount of the investment was that of euro 296.5 million, equivalent in lei. Considering the mentioned provision regarding the initial contribution of the beneficiary, the investment taken into consideration when calculating state aid is that of euro 148.5 million, equivalent in lei.

The company is located in Turceni, Gorj County, therefore the regional ceiling applied (R) was that of 50%.

When calculating the state aid using the formula mentioned above, the maximum amount awarded as state aid is that of:

$$A = 0,5 \times (50 + 0.5 \times 100 + 0.34 \times 48.5)$$

$$A = 58.245 \text{ million euro}$$

Therefore, the company could have received a maximum amount of euro 58.245 million as regional investment aid.

After studying the full documentation submitted by the company and comparing the amounts required with the maximum aid amount, a euro 36 million investment aid has been granted. (Table no.2).

Table no.2. List of beneficiaries of the principle agreements in 2010

Company name	Number of jobs created	Total investment (euro, million)	Total state aid (euro, million)
S.C. Complex Energetic Turceni S.A.	500	296.5	36

**Source:* Finances Ministry of Romania

4. Conclusions

The present study is based on the provisions of Government Decision No.753/2008 and details the methodology used in evaluating and awarding national state aid.

Summarizing the analisys conducted, state aid can be considered an essential lever for governments. Thus, the support measures taken by member states of the European Union aim to remedy market failures, promote investments, create new jobs and protect the environment or, more recently, prevent the collapse of the banking system.

In particular, Romania aims to stimulate the investment process in certain economic regions by establishing a regional state aid scheme, according to the European legislation. Although serious amounts have been allocated in this sense, few companies were awarded with regional state aid during the five-years period of the mentioned scheme. For example, in 2011 only one company was granted with a euro 36-million state aid.

In conclusion, additional measures should be taken by Romania’s government in order to sustain and stimulate the investment process, as companies cannot apply for such schemes because they do not not meet the imposed conditions.

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Firm Decisions: Determinants of Investments

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Abstract

The investment decision is part of a companies' investment strategy. Defined as a logical set of technical and economic information, the investment strategy determines the main objectives of the firm regarding its investments, based on studies, analysis and simulations. It also establishes the actions to be undertaken in order to achieve the objectives, methods of achieving them, sources of funding and resource allocation methods. Still, all these are influenced by several factors. The investment decision must be therefore attentively and strongly substantiated.

The present paper addresses the issue of investment policies within companies, and in particular the investment decisions. Through this study I intend to analyze the main determinants of companies' investment decisions. The analysis conducted refers to stock market influences on firm's investment decisions.

Key words: investment decisions, stock market

J.E.L. classification: G11, G12, G13

1. Introduction

Stock market, as a reflection of the economic activity, signals changes in the prices in real time. Definitely, even the slightest change in prices can have a strong impact on the market, as it can influence other prices' fluctuations. Information is therefore crucial, as it can affect major decisions. But how do the stock market fluctuations influence the investment policy of a company? Which are the main variables of the stock market that have a great impact on the investment decisions of the companies? The purpose of this paper is to answer these questions, and to further detail

the influences of stock market mispricing and price informativeness on firm's investments.

In general, the term investment is discussed as financial investment and capital investment. Referring to the first concept, financial investments are represented by any capital investment, such as purchase of shares or other securities, bank deposits, fund allocations for business development, with the stated purpose of obtaining a benefit (profit).

The second concept, that of capital investment, refers to companies' acquisitions of new assets and modernization of the existing ones. Arnold [1] considers that investment involves resources being laid aside now to produce a return in the future. He further shows that the objective of an investment within the firm is to create value for its owners, the shareholder. According to Stancu [16] investments consist of changing a present and certain amount of money hoping for a higher future income.

Economic thought has developed over the years numerous theories of investment. Classic theories of investment include Keynes' view on investment behavior [9], Fisher's [6] separation theorem, Modigliani and Millers' theory of investment [12]. Modern theories of investment include the q-theory of investment, the portfolio theory, the capital asset pricing model, arbitrage pricing theory, efficient market hypothesis theory.

Tobin's q-theory of investment [18] identifies investment opportunities as marginal q, which is the manager's expectation of the future marginal product of capital. Given the q-theory, the optimal investment rate is a function of risk-adjusted discount rates and of future marginal profitability.

In time, many economists founded their research on Tobin's q-theory and developed several theories correlating stock market and investments.

2. Determinants of investments: Literature review

Recent literature on corporate investment indicate stock prices and private investor information as determinants of investment decision. In support of this, Baker and Wurgler [3], show that stock market mispricing can affect companies' investments through an equity issuance channel. Stein [17], following Bosworth [4] and Merton and Fischer [11], argued that a manager can issue overvalued stock or buy back undervalued equity if a company is mispriced. Polk and Sapienza [13] agree that short-horizon managers temporarily distort the firm's investment decision and therefore misallocate resources. They show that firms' investment decisions are influenced by stock market mispricing by using a catering theory.

In contrast to the developed the idea that investments can be influenced by market mispricing, Bakke and Whited [2] argued that mispricing is irrelevant for investment of firms with high levels of mispricing and large firms. They developed an econometric model using an econometric errors-in-variables that eliminates irrelevant variations from the calculus. I conduct my research on the analysis of companies' investment policies, aiming to identify which determinants have a significant influence on investment decisions.

Referring to price informativeness, Bakke and Whited confirmed that investment decisions are guided by private information embedded in the stock price, following the results obtained by Luo [10], who argued that information from the stock market is extracted by the merging companies. Likewise, Chen, Goldstein, and Jiang [5] reported that price informativeness and investment sensitivity to stock market are positively correlated, showing that prices that incorporate private information can guide managers in making investment decisions.

On the basis of a sample of 794 cross-listing firms, Foucault and Frésard [7] conducted a study which highlights the influence of cross-listing on investment-to-price-sensitivity. Their conclusion is that cross-listing significantly increases the sensitivity of firms' investment to their stock price, showing that this is the effect of the additional information the managers obtain by monitoring actions of U.S. investors.

Shefrin analyzed the behavior of corporate financial executives when making investment decisions. He concluded that "financial executives engage in trend following"[15], showing that their investment decision is based on the expectations for the stock market.

3. How does market mispricing influence firms' investment decisions?

Mispricing means to price incorrectly. Hence, mispricing refers to both situations of overpricing and underpricing a company on the stock market. We further assess the following question: how does market mispricing influence a firm's investment decision? Assuming short horizons for the shareholders, we will detail the effects of stock prices deviations from fundamental value of a company on the respective company's investment policy.

Firstly, we will consider the situation of overpricing a company on the stock market. Taking into account an investment opportunity of a company, a capital input (K) is needed in order to generate a certain output. According to Polk and Sapienza's model, the value of a firm at a certain time t is a linear function of capital, noted $V(K)$. Considering a mispricing of the company (α_t), the model shows how mispricing can influence the market value of the company:

$$V^{mkt}(K) = (1 + \alpha_t)V(K)$$

Evidently, when if stock market correctly prices shares, respectively there is no mispricing, the stock market will reflect the true value of the firm.

In case the stock market misprices a company's stocks, managers will make their investment decisions in response to the prices' evolution.

Firstly, in case of overpricing stocks, the shareholder will consider investing a larger amount than the initial capital input, K . His motivation to do so is based on the fact that although the investment cost will exceed the investment marginal return, the market will compensate for the investment costs by overvaluing the investment project. This can be summarized as following: as long as a firm is overpriced, investors will have a raising appetite to overinvest.

The tendency to overinvest will persist on the duration of market's overvaluation of the

firm. Consequently, managers can benefit of this overvaluation by increasing firm's investments. Moreover, as overpricing lasts, investors will increase their investments, leading to an additional advantage for the firm, and influencing it to consider further investment projects. As a result, overpricing stimulates the investment decision of a firm.

Conversely, in the case of underpricing the company on the market, the managers will invest a lesser amount than initial K. Therefore, underpricing leads to underinvestment. The manager will further lower the company's investments as long as underpricing is expected to maintain for a longer period. In this latter sense, underpricing has an adverse effect on a firm's investments, as the investment decision will not be taken under these circumstances.

4. The influence of price informativeness on investment decision

Price informativeness assesses the issue of asymmetrical information available on the market. Privately generated information is subject to traders' knowledge and is incorporated in prices at a certain level, considering their "ability to disseminate and exchange information".[8]

Price informativeness is closely related to market mispricing, as it generates the production of additional information on the market, leading to a reduction of the mispricing.

Still, price informativeness is a subjective variable of investment. Subjectiveness derives from the fact that there is no generally accepted model to measure price informativeness.

Stock market reflects prices at a certain moment, given the respective circumstances of the market. Hence, stock market reflects a certain value of a firm, which differs in most cases from the firm's fundamental value. In other words, stock market prices can have a bigger or smaller deviation from firms' fundamental values. As there is a smaller deviation from firm's fundamentals, it is assumed that stock prices are more informative than the ones that have a bigger deviation on the market.

Based on the fact that stock market prices are substantiated by information gleaned from numerous and diverse sources, such prices reflect information that managers do not have access to. Mainly, this happens because traders incorporate some private information in stock prices, apart from public information, that is generally available. Still, managers could benefit by such information when making an investment decision. They can observe the movements in stock prices and, consequently, improve their investment decisions.

5. Conclusions

The present paper asserts the importance of the stock market in substantiating firm's investment decision. It considers the case of asymmetrical information and market mispricing.

I report a positive correlation between stock market and investments, mainly by relating the latter to firms' misvaluation and stock market price informativeness. Both mispricing and market price informativeness greatly affects firm's investment decision.

When taking an investment decision, managers must always take into consideration the fluctuations in the prices of their stocks on the market. They must always adjust their investments, in response to the market signals. For example, companies may benefit in case of overvaluation of their stocks by deciding to allocate resources for additional investment projects. In this case, the overvaluation of the stocks may compensate for the additional costs of considering new investments. In contrast, undervaluation is correctly assessed by limitation of the investments.

Unfortunately, managers do not always found their investment decisions on the evolution of the stock market, although connections between the two have been strongly evidenced.

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Business Portfolio Strategic Planning Process – A Pertinent Marketing Solution for the Worldwide Companies Facing the Global Economic Crisis

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Abstract

Top level managers currently operate in a business environment characterized by dynamism and complexity. Thus, the best way to cope with an uncertain future requires managers to prepare for this now by anticipating those influencing factors that can cause changes in the internal and external environment of the company. Therefore, taking into account the uncertain economic conditions, the market dynamics, the fundamental changes in the attitudes and aspirations of the consumers along with the strong growth of the political role and interventions in the economy, currently characterizing both Romania and other countries of the world, it can be said that the need for market-oriented strategic planning was never so acute as now. Therefore, this paper aims to discuss in detail the market-oriented strategic planning process of the companies' business portfolio as a relevant marketing solution to the effects of the current global economic crisis.

Keywords: business portfolio, strategic planning, strategic business units

J.E.L. classification: M31

1. Introduction

Nowadays, all companies operate in a marketing environment, facing a large number of uncertainties. Thus, in order to be successful in a market place, a company should be subjected to a process of continuously adapting to changes that occur in the process, even though some marketing environments show higher levels of predictability, in comparison with others.

Over time, companies have tried each time to identify various ways in order to cope with uncertainties more easily, which were their most feared enemy. After many attempts, which were aimed at weakening or even annihilating this enemy, companies have managed, finally, to identify the most powerful weapon, by which the battle can be won definitively. This weapon of war is known in the literature of management and marketing as the strategic planning.

At the foundation of strategic planning lays a maxim, which says that in order to lead a company you must look in the future. This maxim reveals the degree of importance which is attached to the strategic planning process, which takes place in the vibrant world of today businesses.

Even if in the marketing and management literature, there have been written many pages about strategic planning, it should be noted that this discipline associated with its specific concepts did not totally emphasize until the early '70s.

On the basis of this work there are a number of reasons and the most important is related to the fact that during the '50s and '60s, companies faced a period of prosperity generated by the unprecedented development of economies in Western markets

Turmoil of the early '70s, which generated strong emergence of crises, of which we can remember: the oil crisis, energy crisis, high inflation, economic stagnation, strikes, unemployment growth followed eventually by the recession, have forced managers to identify a completely different approach, from the original, in order to be able to manage the company [8].

This new approach known as strategic planning had the advantage of providing companies with a general framework through which opportunities in the markets could be

spotted more easily, and the threats could be defeated much more quickly and efficiently.

2. Market oriented strategic planning

This new way of strategic thinking, represented by market-oriented strategic planning is based on three main elements [8]

- The businesses of a company should be seen as an investment portfolio, which must be constantly monitored and in which decisions aim to develop, maintain or eliminate the businesses run by it;
- The company must focus on identifying the potential profit of all business, that it holds;
- The management of the company must adopt a strategic perspective, in which every aspect of the business should be submitted to a planning process, in order to achieve the objectives set in advance.

Given what was said, it must be recognized that a manager in order to be able to adopt such an approach, first he must know in detail the complexity of relations that exist between different parts, that compose the organizational structure.

According to the management and marketing literature, most companies are structured in three levels of decision-making, known as: the corporate level, the strategic business unit level and the functional level.

Furthermore, the three level of decision making define the strategic planning process hierarchy, consisting of: market-oriented strategic planning, strategic business unit strategic planning and functional strategic planning.

Furthermore, the planning of the three levels should be subject to a process of implementation, the generated results should be monitored and evaluated and where necessary should be taken corrective actions.

In order to correctly understand the cycle of planning, implementation and strategic control, first is required to know its cornerstone. As such, below are outlined the basic principles of market oriented strategic planning process.

First I will try to outline a definition of the market-oriented strategic planning concept. Thus, market-oriented strategic planning is a management process for establishing and maintaining a viable relationship between objectives, training staff and resources of a

company, on the one hand and market conditions, on the other. Strategic planning objective is to continuously adapt the company's business and products in order to achieve its development and proposed profits [11].

3. Market oriented strategic planning process

The strategic planning approach consists of considering the elements of strategic management and marketing as a process of interdependence successive stages.

The action undertaken in cascade implies to run step by step each phase and to use specific instruments, in strict compliance with requirements arising from the position of these stages during the general process [13].

Thus, it can be said that the market-oriented strategic planning process, consists of the following steps: defining the mission of the company, internal and external environment analysis of the company, defining business objectives, establishing the overall strategy of the company, defining strategic business units, classification and allocation of resources for strategic business units, implementation and evaluation of the strategy and last but not least the strategic control.

4. Defining the mission of the company

The marketing environment provides a company, regardless of its nature, with a number of resources, which uses them in order to conduct its businesses properly. In exchange for these resources, the company offers a range of products and services at acceptable levels of price and quality. In other words, a company exists on the market for a particular purpose.

As time goes by, the company is subject to a development process in conjunction with a change in the marketing environment. As such, the initial purpose may become irrelevant, as the company launches new products, penetrate new markets and/or add new businesses to its portfolio [4].

Moreover, the changes of the marketing environment can also affect the initial purpose of the company, making it irrelevant.

Thus, the results of these essential changes occurred in the economic life of the company can turn into threats that can lead ultimately to failure. In conclusion, the company needs to formulate a mission that clearly expresses its purpose, based on the environmental context in which it acts [15].

5. Internal and external environment analysis of the company

After the company was able to go through the first stage of the strategic planning process, now it can establish a general framework that will allow identifying those aspects of its internal and external environment that can positively or negatively influence the managers to achieve the corporate objectives.

The internal environment includes all the endogenous elements of the company, over which it has influence and control. The study of the internal environment must answer the questions about the existence of resources and their management [6]

The external environment includes a combination of factors consisting of exogenous variables, which the company tries to face them by its own resources [6].

The internal environment analysis aims to review and evaluate the company's resources (human, material, financial and information resources) and its own potential in order to discover and appreciate the strengths and weaknesses of the company [15]

The external environment analysis aims to review and assess the business relationships with the external environmental factors, in order to highlight the existing opportunities and threats [15].

After the company completed the analysis of its internal and external environment, it has the possibility to identify if there are matches or discrepancies between its opportunities and threats on one hand and strengths and weaknesses, on the other hand.

This process of interpenetration of the two types of analysis (internal and external) allows managers to define precisely the general strategies that the company should adopt in such a way that corporate objectives, established in the previous step, can be achieved.

6. Defining the company's objectives

Setting the company's goals represent the third stage of the market oriented strategic planning process and also an attempt to materialize the mission of the company. In other words, the objectives of the company make its mission to become tangible and quantifiable.

Also, the objectives should be regarded as more than just a company's intentions, because they may influence its long-term performance.

More specifically, if the objectives are properly formulated they should: be easily converted into specific actions, provide direction or a starting point for further detailed objectives specific to lower management levels, establish long-term priorities for the company and facilitate the control process, because they serve as standards for assessing the overall performance of the company [14].

Consequently, their role, on the one hand, is to print a direction for the company mission, established in the previous step, and secondly to help managers, on the stage of formulating overall strategies of the company.

7. Defining the general strategy of the company

Once a company has established its mission, has undertaken a thorough analysis of its external and internal environment and has set its objectives, it can be said that it knows where it wants to go in future. Thus, the next step that a company must complete is the one that involves defining the overall strategy.

The role of the general strategy is to identify the general path of action through which the company will be able to achieve the objectives set in advance. Thus, at the top management level there are six general types of strategies that a company may take into account, in order to sustain the strategic decisions. These general strategies are the following: maintenance strategy, growth strategy, expanding the portfolio strategy, liquidation strategy, fructification strategy [2].

8. Defining the strategic business units

Each strategic business unit is subject to a process of defining the specific arena in which they will compete [5].

A definition of the strategic business unit in terms of product orientation focuses only on the company's products/services and also on the markets concerned by this. This approach obstructs the objective function of any company, which aims to meet the consumer needs [9].

In the light of product orientation, a product is nothing but a physical manifestation of the application of a particular technology in order to meet a particular need for a particular target audience. In practice, there are often several ways (technologies) to meet a particular need of a particular target audience. By identifying these pathways, based on a customer orientation in defining strategic business units, a company shall not be taken by surprise when major changes occur in consumer demand.

As such, the business of a company should be seen as a process of customer satisfaction and not as a process of producing goods. Products are transient, while basic needs and customer groups endure forever. Thus the companies must define their business not in terms of products but in terms of needs [12]. Based on this plea a company must consider during the process of defining the strategic business units, three elements or dimensions. These three dimensions are [1]:

- The group of consumers who will be served – how many market segments will meet the strategic business unit?
- The consumer needs that will be met – what consumer needs will meet the strategic business unit?
- The technology will be used to meet these needs - what technologies the strategic business unit will seek to master?

By plotting the strategic business units, using these three dimensions, managers can determine whether the basic skills of a strategic business unit link strongly with the technology used by the company, the needs of consumers or groups of customers they serve. Also, managers can identify the weaknesses in defining the strategic business

units and the best ways of their future development [5].

9. Strategic business unit classification and resource allocation

Regarding the prioritization and resources allocation process for the strategic business units within the business portfolio, many companies face big difficulties.

The company's business portfolio is submitted by the corporate level managers to a sorting process, through which the resources are allocated to each strategic business units, depending on the place occupied by them in the list of priorities. In other words, the managers must find an exact answer to the following question: Which strategic business unit is better to invest first?

Since a company's business portfolio may consist of one or more strategic business units, it should be noted that they differ in terms of potential but also in terms of cash flow, which they generate. As such, some strategic business units will provide more opportunities for growth and profit than others. For example, some strategic business units that have new products or pursue new market opportunities are more likely to receive net financial resources. Others who have significant market share in mature markets are likely to generate significant financial resources [5].

In general, the objectives and financial resource allocation decisions depend on two factors: market attractiveness and relative competitive position held by the strategic business unit [5].

The market attractiveness is based on a set of factors such as: market size, market growth rate, level of competition, profit levels, sensitivity to economic fluctuations, etc. The relative competitive position of strategic business units depends on market share, brand positioning, competitive costs, technical skills, marketing skills, organizational flexibility, etc.

In conclusion, the corporate level managers must ensure that financial resources are allocated wisely to each strategic business unit.

10. Strategy implementation

After establishing the general strategies by which the company believes that it can achieve the objectives set in advance, followed by the definition of strategic business units and allocation of resources for them, the next step is strategy implementation [16].

The successful implementation of the overall strategy involves the management of the company's employees, the allocation of resources required to implement the strategy, monitoring its degree of implementation and solving the problems, which may appear over time [3].

The most important considerations, aimed at this stage of the strategic planning process are the degree of compatibility of corporate strategy with the structure and content of organizational culture, the level of skills and knowledge of employees and also with the commitment of the corporate level managers [10].

In terms of organizational culture, it is known that it varies from case to case. For example, some businesses are open in terms of risk-taking while others show an aversion to them. There are also some companies that adopt a strong innovation-oriented behavior, unlike others who have a passive attitude, through which everybody is waiting to see what innovations appear in the market. As such, depending on what type of culture is adopted in the company, further, this will inevitably be found in corporate strategy.

Regarding the second aspect, the managers in charge of corporate strategy implementation should consider the skills and the training level of the company's employees. Thus, managers who are in charge with this stage are bound to find answers to the following set of questions:

- Does the current workforce have the necessary skills to implement the strategy?
- Do we need an additional workforce to undertake this?
- Do we need to run a training program for the employees before the strategy can be implemented?

Regarding the last aspect, corporate level managers must agree that the strategy chosen is the best way through which the company will achieve its desired objectives. As such,

they must fully understand all facets of the selected strategy and the resources that are required for its implementation.

11. Strategic evaluation and control

Strategic evaluation and control is the last stage, which a company must go through, consisting of monitoring and evaluating all strategic planning process to ensure the corporate managers that all goes according to plan [3].

During the strategy evaluation and control of the general strategy it should be considered the following set of criteria: internal consistency, external consistency, competitive advantage, the acceptable level of risk and social contribution [7].

- Internal consistency – is the strategy in line with the company mission, objectives and its internal resources?
- External consistency – is the strategy in line with the external marketing environment?
- Competitive advantage – does the strategy leads to the development or maintenance of competitive advantage in a business field or in a particular market?
- Acceptable level of risk – is the strategy in line with the level of risk accepted by the company?
- Social contribution – is the strategy in line with those social contributions that the company considers desirable?

Further, after identifying the answers to these questions managers can determine the nature of changes that must be undertaken during the implementation of the strategic plan.

Minor changes in the strategic plan do not affect dramatically the initial direction of the company, they are not doing anything other than to refine the plan. In fact, the changes that anticipate changes, in general prove to be helpful for an enterprise [10].

In conclusion, all the adjustments highlighted during the strategic evaluation and control stage are relevant and possible only if managers regularly collect new information and continually evaluate new opportunities that are emerging on the market.

12. Conclusions and managerial implications

In the beginning, the planning system used by most companies was a rudimentary one, because it was limited to setting annual budgets and to make extrapolation of current sales and marketing environment trends over a period of several years. Further, based on these forecasts, managers took a series of decisions, which concern the allocation of organizational resources. However, in many cases, the predictions made by companies turned out to have a high degree of accuracy. This was possible because many components of the marketing environment had a stable character. More specifically, the markets were developing, the demand exceeded the supply and the external changes were at a minimum level.

Nowadays corporate level managers operate in a business environment characterized by dynamism and complexity. Thus, the best way to cope with an uncertain future requires managers to prepare for this now by anticipating those influencing factors that can cause changes in the internal and external environment of the company. Therefore, taking into account the uncertain economic conditions, the market dynamics, the fundamental changes in the attitudes and aspirations of the consumers along with the strong growth of the political role and interventions in the economy, currently characterizing both Romania and other countries of the world, it can be said that the need for market-oriented strategic planning was never so acute as now.

13. Acknowledgement

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Business Strategy in Banking Economy, in References with Marketing

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Abstract

The objectives of a strategic performance, are based into a certain hierachy, starting from an organised direction and crossing the firm, from up to down. Also, there is a resoning of elaborating a strategic plan of business, at every level of management, to obtain the objectives that are secured at that level.

Thus, the objectives that are at a high level in the firm, generate the making of a strategy of the firm, objectives that are at a subunit level, of economic activity (or business unit) are standing at the origin of making a business strategy (subunit of strategy), objectives that are stabled at a level of function (production, marketing, finance), generate the strategy formula, support of a functional domain, partition objectives or a link of execution that generate the formula of a strategy at a level for operation.

Key words: strategy, clients, firms, competition, marketing segmentation

J.E.L. classification: M10, M31

1. Strategies based on clients

"Into a free economy there's no marketing that can be uniform, because every group of clients want a product or a different service then other groups. In these terms, a firm cannot satisfy in same amount all the clients, they have to make a difference between the groups of clients".[1]

This difference can be made by the posibility of accesing the clients, but it must be taken in calculation of the abilities of competition of accesing some groups of clients.

For benefiting of a strategic advantage in concern with competition, a firm must segment the market (in sense that it must identify one or more groups of clients and focus the efforts for satisfaction of their needs):

- clients
- competition
- firm
- the key fuctions to a firm:
production, commercial,
personal

Other key aspects:

- price
- distribution channel
- quality

The segmentation of marketing can be made in two different ways:

- a) regarding of needs, client objectives;
- b) regarding taking over the market from firm;

• The segmentation regarding the needs of clients.

This segmentation starts from the theory that in a community can be and must be identified groups or client segments after numerous critiries : age, number of members in a family, rase, geographic area, sex, customs, profession, traditions (they represent statistic and conventional groups and less strategic segments) and their aspectings differ. These differences make the elements that consist segmentation.

As a result every group that appears in making the decisions of buying a product has the value that is seen by a group.

The value that a client from a certain group that accords for a product / service offered by a firm is based on tangible and intangible elements.

The tangible elements consist in: performance, durability, cost of use, retail value, buying conditions, the disponibility of

pieces for changing, access at a acquisition unit, of service.

The intangible element consist in the beauty of product, the satisfaction for the buyer, luxury, the image of the firm.

The value that is seen by every client consists on their needs and desires , but can be correlated with price- quality and the level or their incomings. The anlysis of all these elements can move to an efficient segment of a market from the client perspective.

- **The segmentation regarding the level of taking over marketing from firm**

"And the segmentation regarding the level of taking over marketing from firm is necessary because in terms of the existence of a huge segment of clients with needs and similar desires can create a problem regarding the abilities of satisfying their needs".[2]

The possibilities of action in firm of satisfying of these needs can be limited of resources, of necessary costs for serving this side of marketing, of the competitors and the possibility of promoting a price (in case the price gets higher can quit a product or can choose an alternative: a radio instead of a tv, a pen instead of a pencil, an autobus instead of a taxi.

This kind of of strategic segmentation has a studio that analize, in comparison, the marketing costs and taking over the market.

The grade of coverage of marketing depends of the marketing costs. These costs consist of: the cost of promoting the product, costs regarding the activity of sales, costs consisting in the service link, stoking the products destined to be sold, generated by distributors, dealers and commissions.

The essencial task of marketing segment is to bring the products and services in the favorable position in regarding of the competitors for every chosen segment. From this reason the competitos have a clear view of making a segment of clients, from the point of view of the objectives of clients and the perspective to cover the marke

2. Strategies based on firms

Unlike client-based strategy, strategy-based company is a functional, in that it seeks to maximize the strengths of the company, as compared with

competitors in key functional areas to achieve success.

Business functions differ in level of development from one firm to another - and more so, from a sector to another.

The only way a business can survive a close competition is to be stronger in one or more key functions, from competitors.

"Functional performance optimization firms can not bypas the cost effectiveness issues.

This is because the company generates fixed costs functions but may become partially variable.

Eg design function generates a fixed cost that has a certain weight in the total costs of the company, because it works as a feature. So the sales function generates a fixed cost, but the cost tends to turn into onevariable independent distributor".[3]

To reduce costs of business functions have three distinct ways:

Operational cost saving; more efficiently than competitor; Reducing operational costs fasterue:

- Operational costs assessed against the amount of work and not report value not in relation to sales;
- Reducing operational costs through the joint certain key functions than many of the company or organizational departemens even more companies.
- In applying these measures should be considered functional for the firm to not fall into some "traps" that competition exploit them. To avoid these pit falls company must have very good responsibilities for functional analysis and competitiveness.

3. Strategies based on competitors

From the foregoing it follows that for a company to remain competitive need to be to reduce the cost functional, but to business strategies. In fact, you made a compromise between cost and performance of operational functions in relation to competitors.

Competition-based strategies can be developed by analyzing potential sources of differentiation of functions: supply, sales and service.

The most important thing to remember is that any distinction between a company and the competitors will share in one of the tree elements that jointless determine the profit (sale price, volume and production costs).

To distinguish between a company and its competitors leak analysis method is used, which allows a systematic analysis of the areas that lead to this differentiation.

In the category drop corporate clients include:

A. Customers who do not have offered the product / model expected of them (range of products offered by the company).

B. Customers that have not considered selling agents, customers are not within range of the company

C. Customers whose products company i mage not say anything.

Market share is given by D and E. The company's clients.

To increase the market share of the company have identified ways to eliminate these flaws.

The success rate = $D/(C + D)$.

Market Coverage = $C + D + E$.

Product range = $B + C + D + E$.

Factor on whether the company has managed to gain the best position is:

$$F_p = 1/(C/D + 1)$$

Table 1 Differentiation potential sources of competitive banking market

The cause of loss	Areas of possible differentiation	Possible ways of action
A	Product range	Tehnological flexibility
		Production tehcnology
B	Client initiatives	Image / reputation
	distributions	Link density
	Power of sales	Discipline
C; D	product	Performance / price/disponobility
	Power of payment	Preparing
	service	Image / cost / performance
	finance	Conditions of payment
E	relations	Assistance arrangements

4. Market - based strategies in the banking business and marketing mix

Market strategy is one of the most important development strategy of the company. This report is established between the firm and the environment, and position to be within a secure environment to meet goals under maximum efficiency.

A marketing strategy can be developed to the level of activity portfolio range of product, categories of customers of a product or band.

Strategy is determined following a rigorous justification of knowledge based on the likely environmental studies of endogenous and exogenous factors of marketing and their development.

A marketing strategy consists of three basic elements:

a) strategy sets out what action the company manufactures products at the prices on the markets in which geographical areas and the distribution channels will open.

b) the strategy that motivates the company's shares results such as more complete use of labor and production capacity, social usefulness, etc.

c) employment strategy which sets out who, where and when to perform the tasks set.

About the strategy and define the notions of political and tactical marketing.

„Marketing policy is defined by the ways in which a company begins its evolution, future guidelines and concrete actions. It should be understood as a style of approaching the market” [5]

Tactics that work be understood as applying step strategy through concrete actions which states that parts date, facilities, costs, etc.

5. Alternative marketing strategy

Complexity of the market generates a diversity of approach it according to several criteria: [6]

a) position criterion refers to the place they occupy in the market that the company is present with its products or services. This position is given to activities they may conduct business through their own potential

and pressure environment of marketing opportunities.

By positioning the company selects their industry and target market segments. In relation to the competition the company will choose the most advantageous position relative to which corresponds a certain type of strategy. The company can address a strategy or another position with the characteristics of demand, namely:

- Undifferentiated strategy when global demand can be satisfied by a single product with the same features that the company produces and offers to market it.

- Differentiated strategy is used when the firm produces and provides products and services relatively more differentiated between them, each gathering is a specific category of consumers.

- The strategy is to focus attention focused company on a limited number of regions of the market for offering a narrow range of products and services.

b) behavioral criterion refers to the ways of action to the side of environmental factors. In this vision, the company may adopt the following categories of strategies:

- Active strategy, innovative, energetic intervention by the company and influence market developments. This strategy can be applied by co-leader or leader.

- Passive strategy, adaptive, by the company based on the study of market evolution adapts.

- Anticipatory strategy seeks to determine future market developments and take appropriate strategic decisions.

c) criteria based on state development and evolution of the marketing potential of business and development trends of the sector which includes company. In these situations the company may adopt the following types of strategies:

- Diversified development strategy by the company expands into new products and penetreză sectors.

- Non-diversified development strategy by the company seeking to place their existence in a greater extent on traditional market and place them in other new markets, increasing turnover.

- Profitable strategy for a product as soon as possible by adopting high prices and reduced marketing expenses.

- Penetration strategy by the company on a beach trying to get more of its product market, falling profitability in the background.

In terms of relative positive posture its market competitors include: [7].

- a. the leader or co-leader;
- b. the position of follower;
- c. challenger position;
- d. specialist position.

Depending on the position he has company, it will adopt specific strategies as follows: marke

1) leader can adopt:

- a) total market expansion strategies by attracting new customers and new markets penetration action, by providing some new uses for products and increased demand led to increase preventive consumer products thereof;
- b) expansion strategies of improving market share position relative to competitors;
- c) strategies to preserve market share, defensive strategies designed to defend the position it has on the market but can be offensive by launching new products.

2) Challenger may adopt the following strategies:

- a) frontal assault;
- b) flank attack;
- c) encircling attack, bypass, harassment.

3) trackback adopt the following strategies:

- a) follow closely;
- b) remote tracking;
- c) selective prosecution.

4) specialist may adopt the following strategies:

- a) the number of market niches.

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The Best Anti-crisis Solutions. The Polish Lesson

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Abstract

The paper realises a comparative analysis between the Polish and the Romanian economies in order to find out the main elements which supported Poland to face successfully to the crisis. The analysis is based on the neutral statistical bases and covers the main economic indicators. A distinct part of the paper deals with the recovery governmental packages in the Polish and the Romanian economies and their viability. Important is the part connected to the relation of these two economies with the international financial institutes.

The main lessons from Poland to Romania about the crisis management are: policy matters, macroeconomic disequilibrium at a minimal level and an optimal privatisation policy.

The main conclusion of the paper is that the human society will be divided only into very rich or very poor people and both above economies are not able to stop this process.

Key words: macroeconomic imbalances, deficits, growth rate, privatization.

J.E.L. classification: O57, R11, R59.

1. Introduction

The present global crisis is far away to finish. As a result all world economic actors face to its challenges. EU27 is not able to find optimal solutions for its Member States.

On the other hand a Member State (Poland) was able to face the crisis. It was called the Polish miracle. The problem is that the Polish economy is not a miracle, but the Polish macroeconomic policy was and is realistic.

2. General approach

Poland adhered to the EU in 2004 but its economy was quite weak. But the same Poland succeeded in achieving positive GDP growth rates during 2007-2009. Moreover, Poland started a recovery economic process in 2010.

The maintaining stability in Poland was explained by some foreign analysts mainly by the low level of the companies and the citizens' indebtedness and due to relatively healthy banking system, which recorded profits totalling nearly 9 billion zlotys in 2009, for example.

The National Bank of Poland imposed strict regulations for the banking system, especially regarding security for private loans and credit to finance the rigorous criteria of commercial companies.

One advantage is that Poland has strong state institutions, a viable democracy. Accountability and transparency have the same important role as a state economic development as the economic policies. They provide reliable to the citizens. They were deprived of Hungary and Romania during the peak of the crisis and this has not gone unnoticed.

The ability to maintain the macroeconomic imbalances at relatively low level gave to Poland the opportunity to take advantage from the preferential loans mechanisms and the financial aid. As a result, Poland signed a preferential agreement with the IMF and it received a flexible credit line of 20.5 billion USD (14.4 billion Euros)

This feature is provided by IMF to those countries which achieve strong economic fundamentals and is intended to protect their economy and the currency of the credit crunch.

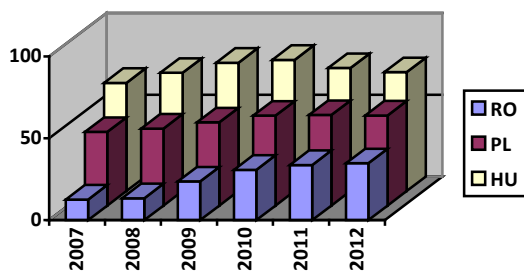
Under this credit, Poland was able to avoid any economic shocks, but he also provided a wider range of options and greater flexibility on policy choices that contribute to the

economic recovery.

3. Macroeconomic analysis

Unlike Poland, the unsustainable deficits and the large debts forced Hungary (15.7 billion USD) and Romania (17.1 billion USD) to seek financial aid from the IMF and the World Bank. Their loan applications were followed by the implementation of the strict austerity economic measures.

Figure 1. General government gross debt (% of GDP)



Source: personal contribution using European Commission, 2011.

According to Figure 1, Poland has a worst situation than Romania and a better one than Hungary. The problem is that Poland and Hungary will achieve a descending trend during 2011-2012, but Romania will face to a general gross debt growth during the same period.

The agreements with the IMF and World Bank will have long-term repercussions on Hungary and Romania, including the success of the economic recovery, the speed with which they will adopt the euro and the efforts to align to the EU principles.

Romania and Hungary, burdened by debt and strict austerity programs, will have to go the long way and will have minimal flexibility in the pace and extent of reform programs.

An important asset in the case of Poland is that the Constitution stipulates that the public debt may not exceed 55% of GDP (in exceptional cases may reach 60%). Basically the Polish government cannot enter into financial slippage due to the Constitution.

The construction sector and the real estate development are victims of the economic crisis all over Europe and especially in the East. Less in Poland, where buildings are rising and the land and the housing's prices fell slightly.

In 2009, the construction sector activity in Romania decreased by 29% compared to 2008, the largest decline in the EU, while the bloc as a whole decreased by only 11.1% in same period (Eurostat, 2010).

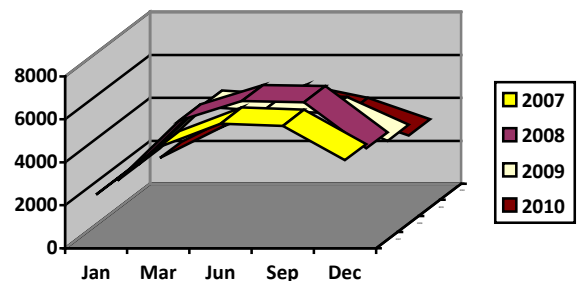
The following positions were ranked by Spain and Slovenia, where the construction sector reported declines of 21.1% and 19.6% over 2008.

On the other hand, the highest growth rates were achieved by Poland (9.9%), Sweden (9.5%) and Germany (1.9%).

The construction activity decreased in the euro area by 11.3%.

Poland succeeded to maintain high positive growth rates in construction because the demand for housing increases after its own rhythm, which means that it is not backed by mortgage loans that are still very difficult to obtain.

Figure 2. The evolution of the building permits



Source: personal contribution using data from www.businessday.ro

State regulations imposed tough market have prevented an explosion of mortgage loans, which in turn blocked a housing boom like those experienced by other Eastern European countries, including Romania.

In addition, the Polish central bank restrictions prevented most commercial banks to invest in real estate developers by providing unlimited credit. The first important result was seen in July 2009, when the real estate prices in Poland had declined

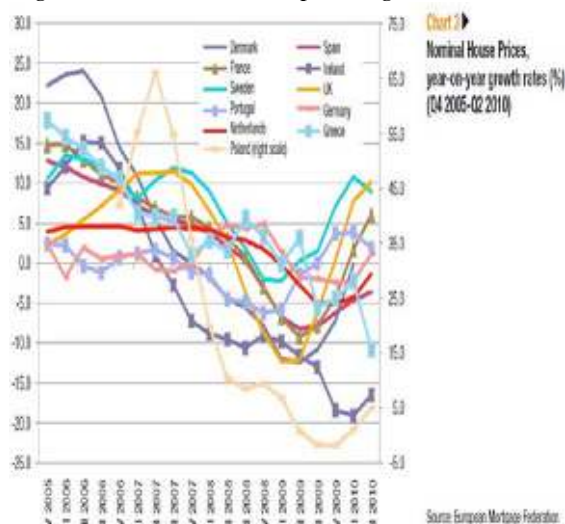
only by 0.4% compared to July 2008.

In Romania, the number of building permits issued for residential buildings was 13.4% lower in 2010 than in 2009 (INS, 2011).

Meanwhile, in Hungary, were issued with 37% fewer building permits than in 2009 and in Poland with only 1.9% fewer than in 2009. When talking about the number of dwellings completed in Romania and Hungary, they were 16% and 34% fewer than in 2009.

In Poland, have been put into use by 16.1% fewer homes in 2010 compared to 2009, and 10.8% fewer than in 2008. According to the European Federation of mortgage loan, the largest annual decrease in 2010 was registered in Ireland, a country where prices were lower by 16.6%. Greece followed a decrease of 10.9% and Hungary a decrease of 10.5%.

Figure 3. Nominal house prices growth rates



Source: European Mortgage Federation, 2011, p.5.

By contrast the UK achieved an increase of 10.1% of the housing price in 2010, followed by Sweden with an increase of 8.9%. Sweden is the champion of the prices increases in these years of crisis. In 2010, the housing prices were about 25% higher than in 2006, and 35% higher than at the end of 2005.

While the housing prices in Poland did not decreased during the crisis, most Member States faced to the cost of housing growth between 100% and 110% of the price recorded at the end of 2005.

The governmental investment programs had a strong influence in Poland. 20 billion Euros were allocated for the infrastructure works to organize the 2012 World Cup. Moreover, other 13.3 billion Euros have been budgeted by the National Highways for the road infrastructure investments between 2009 and 2010. An important support for the local and regional development in Poland is the allocation of the EU funds which will achieve a total of 68 billion Euros by 2015-2016.

Most of the European money are focused on the infrastructure development, and due to government vision, the absorption process is not a problem.

Poland participates to the EU budget by 22 billion Euros, being the eighth largest contributor, and receives back 87 billion Euros. The rapid absorption of the EU funds supports the consumption and the investment.

Inward investment rebounded in Europe in 2010 with a record number of projects (Ernst & Young, 2011).

Across Europe there was a 14% increase in projects from 3,303 in 2009 to 3,757 in 2010. The majority of the 43 countries in Europe whose inward investment is measured by the survey showed an improvement. The number of new jobs created across Europe as a result of these investments was also up by 10% to 137,000 although this still remains well below the peak of five years ago.

Investment from the United States was the primary reason for the turnaround in FDI across Europe with an increase of 24% in project numbers on 2009. The US remains the critical investor for the European market with over a quarter of all projects.

Although the UK and France remained the most attractive countries for investors with 728 and 562 FDI projects a growth of 7% and 6% respectively, the real success story for 2010 among the major European economies was Germany whose project numbers rose by 34% to 560 in 2010 challenging France for second place.

Countries in Central and Eastern Europe saw strong growth in 2010 with Russia, Poland, Hungary and the Baltics all recording double digit growth in the numbers of projects reflecting the strong economic recovery in the region and its growing attractiveness to business.

Portugal, Greece and Spain all saw a decline in project numbers and the latter was overtaken by Russia as the fourth largest recipient for FDI in Europe. By contrast, Ireland saw a 36% growth in projects in 2010 underlining its long term competitiveness in terms of tax rates and a highly skilled workforce.

Table 1. The most attractive countries for the FDI

Country	Rank in 2010	Rank in 2007	Evolution
China	1	1	0
USA	2	3	+1
India	3	2	-1
Brazil	4	6	+2
Germany	5	10	+5
Poland	6	22	+16
Australia	7	11	+4
Mexico	8	19	+11
Canada	9	14	+5
UK	10	4	-6

Source: personal contribution using Kearney A.T. 2011 database.

According to Table 1, Poland realised the highest progress (+16) connected to the FDI evolution. During 2009-2010, the FDI in Poland totalled 7.4 billion Euros (-26% compared to the period 2008-2009). During the same period, the FDI were about 3.4 billion Euros in Romania and 1.6 billion Euros in Hungary.

Moreover, the FDI financed 75% of Poland's current account deficit in 2010. A successful domain for Poland is the FDI. Poland became one of the most attractively countries in the world for the FDI (Ernst&Young, 2010).

An improved investment outlook is already emerging as confidence across Europe picks up. Research from the 800 global executives interviewed for the European Attractiveness Survey in Spring 2011 highlights a 5% increase this year in the number of companies looking to invest in Europe and a 6% fall in the number of investors with no plans to do the same in Europe. Poland is an important destination for the FDI.

In the first quarter of 2010, for example, Poland attracted direct investments of about 160 million Euros. This money covered 14

projects which generated 2651 new jobs in the following areas: R&D (4 projects), machinery and equipment (4) auto industry (2), electronics, plastics and metal (each 1 project). Among the major projects included R & D Center in Wroclaw Nokia (400 jobs) and Lampre Group metallurgical project (100 jobs).

Nowadays, Germany lost its leadership in investing in Poland, while Japan and South Korea have a strong interest. Moreover, Poland will try to attract Chinese investments in comparison with other Member States.

In 2010, the number of permits for new investments in the economic zones from Poland was almost double compared to 2009. The amount invested was doubled, as well.

Heavily criticized for slow privatization, Poland has now provided a major source of income, a part of the local economy being controlled by the state.

The government launched a privatization plan until the end of 2010, in order to collect 8.9 billion Euros to finance the public debt. This privatization plan was not complete implemented, but it generated about 5 billion Euros still the end of 2010.

Under a rough estimate of the proceeds from privatizations done in the past 18 years, Romania collected about 4 billion euros, an amount comparable with the privatizations carried out by Poland in the last three years.

In 2010, Poland privatized only 28 companies. But the Polish state obtained more than 6 billion Euros only from its companies' listings, while the Romanian state listed only Transgaz and Transelectrica, and obtained only 100 million Euros.

Only on the New Connect market, the Polish stock market makes turnover of 3 million Euros a day, a figure close to the average daily turnover on the Romanian capital market. The stock privatization and the government support were very important to develop the stock institution in Poland.

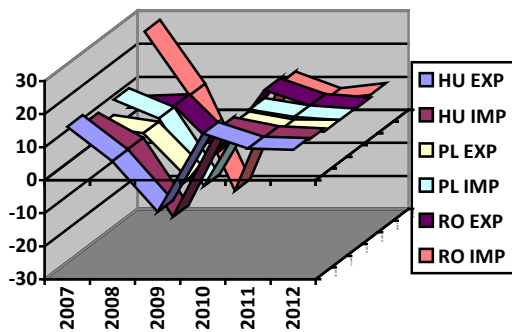
Each privatization brings on the market thousands of new investors who are satisfied with the returns made in the tender and falls with more money in the market.

Another reason for the Polish economy positive evolution is the maintaining and the growth of the exports and the consumption. It should be noted that the positive development of the foreign trade was not necessarily due to the exports but especially

to the strong restrictions on the imports.

During 2007-2010, the Polish exports had a positive evolution excepting 2009. The positive trend is forecasted for 2011-2012, as well. The same trend had the imports (European Commission, 2011).

Figure 4. Foreign trade evolution (%)



Source: European Commission, 2011.

According to figure 4, Poland had the lowest fluctuations connected to the foreign trade, comparing to Romania and Hungary.

On the other hand, Poland has a huge domestic market with 38 million inhabitants. This market is less open than its neighbours, and less dependent on exports. Part of Poland's success lies with the internal market for consumer. More specifically, when the zloty depreciated (and the euro rose), Poles spent in the country.

The fact that this country is not part of the euro area is seen as an advantage. Since 2000, the authorities allowed the national currency, the zloty, to have a variable course, making exports more competitive during the crisis, notably Fiat and Ford cars that are manufactured in Poland. In addition, Poland benefited greatly from the scrapping premium in Germany and France. In other words, Poland is not dependent on exports compared to most new member countries in the EU (a share of exports in GDP of about 40% against 70% in the Czech Republic), which limited the extent of the contraction in the domestic demand, linked to the dramatic decrease of the exports (12% in the first half of 2008).

According to the IMF, Poland entered the crisis with relatively healthy economic fundamentals, which allowed the government to implement countercyclical policies which

were able to mitigate the fall. It is, first, a countercyclical monetary policy. In the past decade, the National Bank of Poland earned a solid reputation for anti-inflation fight, and this limited the fears of an escape out of the inflation control. The National Bank of Poland credibility, both international markets and the public, allowed it to reduce gradually the interest rates shortly after the impact of the global crisis. Since November 2008, the National Bank reduced the benchmark rate from 6% to 3.5%.

Finally, the consumption growth in Poland was not based on credit. The banking system in Poland is dominated by foreign banks, which face difficulties, but the structural health of the Polish economy led parent banks to maintain exposure on the Polish market and to provide funds to their subsidiaries in this country. Moreover, the authorities did not expect the banking system to block and reacted very early, encouraging banks to retain profits. In addition, the National Bank tested the banking system resistance to stress by on-site inspections to identify potential vulnerabilities and bottlenecks.

A key factor in the Polish economy's performance was appropriate political, fiscal and monetary mix. Since two years ago, the Polish Liberal government introduced a series of tax reforms consisting of reductions in taxes and eliminate red tape for business. These tax reforms led to a reduction in the revenues and increased the fiscal deficit above the 3% of GDP assumed by the Maastricht Treaty, but even the IMF has admitted that "drastic corrective actions to reduce the deficit taken now would risk worsening the current downturn in a recession."

In order to return to the Maastricht limits, the IMF recommended Warsaw to restructure fiscal architecture and to include binding multi-annual spending limits, but it is already a luxury compared to other European countries such as Romania, which had appealed to drastic cuts to limit deficit spending.

From the social point of view, Poland is one of the few European countries that achieved a broad pension reform to increase the retirement age and to introduce the private pension funds.

On the other hand, Poland, the only European country which avoids recession, is the country with the highest share of employees with particular contract (27.1% of the total employees). The more flexible labour market in Poland led to an increase in the activity rate, from 44% in 2004, to 50% in 2009, for example. In Romania, the activity rate declined continuously in recent years, ranging from 62.4% in 1997 to 50.7% in 2009.

4. Conclusions

Romania had a positive economic evolution during 2000-2008. Unfortunately, the positive evolution from 2008 was only a good fortune and it wasn't followed by real economic development.

Many specialists consider that the present crisis could be a chance for Romania's modernisation and development, but it was loosed.

The realistic forecasts talk about a real economic recovery in 2016. This is why, the Romanian president consider that the welfare from 2007-2008 will be achieve again in 2014-2015.

On the other hand, Romania had not competent governments in the latest three years, the money didn't manage wisely and the public budget looks like a sieve.

The problem is that Romania has no tradition in technocrat governments as Leszek Balcerowicz's government in Poland.

Moreover, the specialists' ideas are eliminated and the neighbours' good practices are forgotten.

After 6 years of continuous decline, the 2009 crisis in Poland resulted in only a moderate rise in the unemployment rate, amid increasing labour supply benefiting inter alia from recent structural reforms.

The sharper-than-anticipated downward adjustment of real wages mitigated the effects of the downturn on employment. Thus, employment kept growing during the crisis (by 0.5% between the first quarter of 2008 and the first quarter of 2010), especially in the services sector (except transportation),

while manufacturing and agriculture experienced substantial falls in employment.

Overall, employment growth is expected to remain in positive territory (0.7%) in 2010. Hiring is muted due to the effect of labour hoarding during the crisis. Increasing labour market participation resulted in unemployment peaking at 9.5% in 2010.

Going forward, employment growth is projected to accelerate gradually, leading to a moderate decrease in the unemployment rate to 8.5% in 2012. Against this improved outlook and mounting demographic pressures, further reforms favouring dynamic employment creation and higher labour market participation focusing on the extreme ends of the age distribution would help sustain a permanent recovery of domestic demand without undermining the competitiveness of the economy (European Commission, 2010, p.126).

On the other hand, the present crisis is the result of the global tendency of promoting the unsustainable growth, without goods and services. This growth is based on papers, which are not in the taxpayers' pockets.

Maybe the most important negative effect of this crisis is the disappearance of middle class society. Step by step, the men with a decent welfare will disappear and the human society will be divided only into very rich or very poor people.

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Comparative Study Between the Romanian Seaside Tourism and Bulgarian Seaside Tourism

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Abstract

Romanian Black Sea coast is characterized by the existence of a high tourist potential, which facilitates the practice of various forms of tourism. Currently, high prices and low quality of services, offer poor, lack of investments, are just a few factors that have made Bulgaria to win in recent years, a rather large part of the tourists who traditionally whereas Romania and visited it often Romanian Black Sea coast.

Key words: tourism, seaside, tourist services, quality

J.E.L. classification : L83

From the tourist point of view, Romania has a good potential, and is considered the tourism destination of the future. In this regard, the development of tourism in our country should take the form of an objective and a means of social and economic development of the whole, in the context of national policy development and integration into European structures. This will be achieved only in conditions in which will bring substantial improvements on the quality of tourist products and services. Diversity of tourism offer of spa resorts of seaside is regarded as one of the points of departure in the development of tourism spas in the area, since this offer has a pretty big competition on the market of the European balneoclimatică. While our country balneary and climatic offer is rigid, inefficient and inadequate to modern requirements and the changing tourism market, offering European-oriented profile and belt adapted to support health, thus meeting customers modern

luxury facilities and very attractive packages to structure and price.

Romanian Black Sea coast is a place for spending holidays for many tourists, but is also a destination for those who want to treat various diseases of spa resorts in the polyclinics as Eforie Nord, Eforie Sud, Mangalia, Saturn and Neptun. The tourist season in this area is extended programme of spa treatments, as the first foreign tourists arrive on the Romanian Black Sea coast since April and the last leaves at the end of September. Spa resorts in polyclinics in the mentioned will be recovered in particular therapeutic qualities of sludge from the Lake, located about 15 kilometres south from Constanta. In addition to the sludge of Techirghiol, basics of spa treatment on the Romanian Black Sea shore, uses the natural and other factors in the area of treatment, such as sea water, sulphur water mezothermal and peat mud, extracted from the nearby town of Mangalia. In seaside resorts polyclinics, appearing in the catalogues of major tour operators abroad, can be treated, and outside the summer season, degenerative, inflammatory disorders, respiratory and dermatological, gynecological diseases.

With all the benefits that offer the Romanian Black Sea coast, there are, however, and some negative aspects related to the practice of tourism in this area, that make foreign tourists and the Romanians to prefer other comparable tourist destinations such as Bulgaria. Some of these negative aspects characterizing the Romanian tourism in the coastal zone of the Black Sea, are the following:

- the Romanian Black Sea coast has a bid far too low compared to the recreational potential of the natural and anthropic available;

- reduced number of facilities which are outdated in terms of equipment and installations;

- the coastline is characterised by a high degree of pollution of the environment and through a process of increased degradation of the beach and the waterfront;

- high season departures, basically keep on season 2-3 months;

- the absence of direct air flights to the airport in Constanta, graduating from Mihail Kogalniceanu;

- access to the shoreline, notably difficult by road: by motorway exit, the road to Constanta is practically on one side, with a very crowded during the summer season;

- low quality of tourist services in relation to prices which by default leads to decrease in the number of Romanian and foreign tourists, for example, representatives of the company World of TUI gave the Romanian Black Sea coast as a result of the fact that the degree of satisfaction of foreign tourists is below the average accepted and they wanted to avoid the risk of complaints from meeting

- adverse image of Romania abroad as a potential tourist destination and its insufficient promotion of the foreign tourists are increasingly fewer on the Romanian Black Sea coast;

- the existence of neîntreţinute beaches, which offer guests comfort. For example, last year the Mamaia was faced with an invasion of seaweed, which, with all due care by the authorities to eradicate them, all drove the tourists from the shoreline during the period;

- price packages to see the Romanian seaside is significantly higher compared with that offered by other tourist destinations in neighbouring countries. For example a stay six nights in peak season at a resort less expensive seaside can reach to cost around 250 euros, while in Bulgaria with 266 euros per week can you rent a villa in Albena for four people;

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expensive seaside can reach to cost around 250 euros, while in Bulgaria with 266 euros per week can you rent a villa in Albena for four people;

- no tourist packages to all-inclusive service of Romanian tourist offer, marketed successfully by Bulgaria, Turkey and Greece. Foreign tourists will in addition to comfort, as the tourist package that you purchase is completely, so that the additional costs are much lower. A case of impossibility of these packages, package all-inclusive system in coastal area, is given by the fact that in very many cases it is property of a person, and the restaurant it holds another investor

- low level of training of qualified personnel, which is in line with the work they provide and insufficient, particularly through labour migration

- lack of collaboration at the level of the factors involved in the management of tourism and the public authorities and local and central public authorities, with a direct effect on the allocation of funds necessary for the development and modernization of the littoral zone

- although tourism on the Black Sea lasts only 3 months, or levies are paid to resort for a whole fiscal year;

- public services are paid twice because local governments offer doubtful, and the taxpayer are obliged to manage infrastructure on their own;

- excessive taxation requires operators of tourism to pay 14 Central and 3 local taxes (taxes represent 35% of the prices of hotels and restaurants). In Turkey, Greece, Bulgaria and the charges are for 4-5 times smaller than in Romania because the authorities have understood that in addition to the tourism sector can develop and other related fields.

As a tourist destination, Bulgaria has gained in recent years, a rather large part of the tourists who traditionally whereas Romania and visited it often Romanian Black Sea coast. In the years 2006-2008 in Bulgaria tourism achieve more than 5% of GDP, whereas in Romania there was no 4%. From the tourist point of view, Bulgaria closely resembles the seaside of the Black Sea, Romania being sprinkled to resorts that have received numerous German investment, for example the resort Sunny Beach. Thus, Bulgaria experienced a more rapid development on tourism than Romania.

Bulgarian seaside resort is 30 (this number includes the so-called resorts 3-4 hotels), of which only ten are declared to be of national importance. Before the year 2000, many of the beaches of Bulgaria received the distinction "blue flag". This distinction is a label of recognition internationally of certain beaches which meet certain conditions related to the clean and flawless services. Currently, Bulgaria has ten beaches that hold this distinction.

At european level, Spain has over 450 Blue Flag beaches, Turkey 140, 10, Bulgaria and Romania, by the year 2005 had no beach with this distinction. In the year 2010, as a result of sustained efforts, resorts Mamaia, Eforie Nord, Neptune, Saturn and the tourist port of Eforie Nord obtained from the Foundation for Environmental Education Award "blue flag" (Blue Flag). Among the strengths of the Bulgarian tourism offer, which attracts a fairly large number of foreign tourists, and include:

- Bulgarian coastline runs for a length of 378 km. and is varied: beaches open, followed by deep lagoons and bays, steep cliffs and dunes, miniature mountains covered by forests and Peninsulas covered with vines and orchards, fishery villages, private cottages, campsites, modern resorts and intimate golfulețe;

- most Bulgarian stations are located quite far from the stress of the great cities, but at the same time, quite close to many tourist sites. Relax on the shores of the sea shall be added the multiple possibilities of excursions to the medieval towns and monasteries, folklore and dance evenings, etc;

- more gentle climate, the low level of salinity of the water, made Bulgaria one of the most desired holiday destinations. Albena, Golden Sands, Sunny Beach rises to the level of the quality of the stations on the shore of the Mediterranean Sea

- privatization of hotels and buying by investors Bulgarian seaside facilities;

- privatisation began in Bulgaria in 1993, compared to Romania when the process of privatisation of tourist structures started after the year 2000 Moreover, renowned investors – such as for example those Germans, TUI or Neckerman offered not only consulting but also money for new investments in hotels, on the basis of their

projects. Subsequently, the "credit" paid through the provision of tourism services by tourists

- creation of a favorable image among tour operators foreigners whom they convinced to invest important sums of money in upgrading to international standards: one example is the TUI which brings each year many foreign tourists: Germans are seen increasingly more often on Bulgarian lands and the increasingly rare on the Romania

- quality of tourist services is high and net related to tariffs;

- Bulgarian Black Sea coast is one of the most welcoming and cheap destination for families with children. Beach kids clubs are organized with specialised personnel, and in some resorts such as Albena, kindergartens for children, where tourists can leave their children when they participate in various recreational activities or excursions. These services may not be offered on the Romanian Black Sea coast, where families with small children cannot participate in various activities since there is a space specially dedicated to the care of children

- most hotels are building new or fully refurbished, with adequate facilities at the international level;

- qualified workforce;

- maintained beaches which offer all the comforts tourists;

- bathing water quality is better on the Bulgarian Black Sea coast. According to a report from the European Commission in Romania was at the level of 2007, one place where the water quality requirements of the European Union respects all compared to Bulgaria, which had 70 such places. A number of bathing water 48 monitored European Agency in 2008, only one of Romania has fulfilled the requirements of the European Union, while in Bulgaria, of the 89 assessed waters of the Black Sea shore, 70 respecting Community rules.

Conclusions

Both by its geographical location and the kind of accommodation, catering and leisure on the shore of the Black Sea, bulgaria offers are engaged in an activity supported by tourism. Albena and Balchik area, Golden Sands have a potential tourist and leisure very diversified, being completed and an

optimal price-quality ratio of benefits to see so many foreign tourists choose as destination for their Bulgarian seaside holidays.

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Distrust. The Enemy of Economic Recovery

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Abstract

In the context of current economic crisis, in finding necessary measures to redress the global economy, this study makes a connection between the psychological factor, distrust, and the recovery process. The problem of major interest in this conditions is what are the effects of distrust on economic processes, but also on the recovery of local and global economy. To this end, the author aims to analyze and carry out a study on the effects and psychological implications of this phenomenon, distrust, on businesses, organizations, on people and their way of action. The conclusion logically reached, through a qualitative and quantitative analysis, is that, both at microeconomic and macroeconomic level, distrust, caused by economic crisis, by uninspired measures of the leaders but also by negative predictions about the recovery, affects and hinders the prosperity and economic development. Restoring confidence can be the engine of the investment process and of economic growth.

Key words: economic distrust, economic crisis, economic recovery.

J.E.L. classification: O44, F43.

1. Introduction

By randomly browsing through journals and articles in economics, or by a simple Google search on the words „economic situation”, we obtain the following information:

- „World economic situation has worsened in recent years” (Christine Lagarde, FMI).
- „In 2011, no improvement in the economy has been noted” (Guy Poupet, President and General manager of BRD).

• „Things in the world, rather than improving, worsened and we have no sign of improvement in the near future. On the contrary. In Europe and worldwide, there is no good, sunny time predicted” (Emil Boc, Prime minister of Romania).

There are numerous examples and almost all may continue in the same pessimistic way. From this fact, I began to wonder how can the global economy influence the feeling of distrust. *May distrust be considered a threat to the economy, perhaps the biggest threat?* This study will provide an answer to this question and will highlight some conclusions that can be helpful when talking about the economic crisis and recovery.

Closely related to the question above, the question that also appears is: *Isn't the vision of the global economy, however, a too negative one?* The current economic situation is, indeed, not at all encouraging. But is it better to overly promote pessimistic economic forecasts? Can not this cause more damage? These actions have as a result the increase of distrust and skepticism about economic growth and recovery.

2. Confidence crisis and the implications on economic environment

Distrust has taken on global proportions, became a phenomenon and confidence crisis overcame economy. Financial markets are dominated by an unprecedented lack of confidence. Trusting business partners, honesty of economic actors, an investment profit, is a challenge and a proof of courage in the actual conditions. The Managing Director of the International Monetary Fund, Christine Lagarde, says that *„The global economy faces a crisis of distrust, exacerbated by policy incoherence and by political class dysfunction”*.

It is well known that the global economy slowed down until the credit flow and exchange transactions were frozen, due to the

high level of uncertainty in financial markets and because of lack of confidence. The current crisis is a mixture of economics and psychology, being fueled by the reluctance to invest, by the fear to take risks and to spend the available funds, by the fear of not earning enough to satisfy your needs.

As previously stated, **distrust is a phenomenon**. To justify this assertion, we take into consideration the scale and scope that it has acquired. It starts from the common man, who is dominated by fear and insecurity in the workplace, in the ability to cover expenses, in governing the country, it extends to small businesses, distrustful in the chances of survival on a harsh market, plus the conditions of economic crisis, and it covers the entire business community, spreading at the global economy level. Distrust and fear permeated everyone: employees, managers, entrepreneurs, customers, banker, politicians/legislators, the state, the European community.

Citizen's distrust in the possibility to satisfy the needs of food, health and housing, and in government of the country. **Distrust of the employee** about job retention and about receiving the salary, according to the schedule established by the work contract. **Distrust of the manager** in the team that he leads, in the power and the ability of employees to make appropriate decisions. **Distrust of the contractor** in obtaining profitability or even in survival chances in the system of taxes, and in the business partners. **Distrust of the customer** concerning the quality of products and services and the correct pricing calculation process. **Distrust of the banker** in customers solvency. **Distrust of the politician** in his own actions and in government colleagues. **Distrust of the state** in the honesty of economic actors, in the good evolution of society, without rigorous controls and standardization. **Distrust of the European Community** in the ability of the member states to achieve the indicators and also in their policy. Thus, we see that distrust starts from the most basic structures and extends to the highest level. The result...nothing beneficial. Only a persistent fear that acts as a barrier to initiatives, actions, business, investment, and to economic processes and slows economic recovery and development.

With the results that can no longer be predicted, because the times are more and more unpredictable, this fear and distrust is justified, only that it should be cautiously managed, controlled and publicized. Focusing on the harm made and spreading fear is not a solution, what we should do is to try to find the necessary solutions for economic growth and recovery.

Specialists say that the ineffectiveness of the measures taken by governments, experts hesitations and the lack of perspective made the distrust to become general, and on this background, the economic system is being blocked for a long period of time.

Expert David Wyss, from Standard&Poors says that, with the financial crisis, the first reaction of bank managers was to suspend all funding lines, for fear of new losses. Thus, we see that the banking system withdrew under the cloak of fear because of the distrust caused by the collapse of the housing market and the losses caused by mortgage loans. Hence, the crisis of confidence has spread very fast throughout all economy. Partnerships and business relationships built in years were broken overnight, because of the fear that the partner company is affected by the crisis and will not be able to honor contractual duties. The best example is real estate. Here, after a fast rising and an exaggerated enthusiasm shown in recent years, panic was set, but also insecurity, distrust, fear and even despair. Real estate companies have reduced their activity and ended up in bankruptcy, real estate developers found daily increasing losses, and builders refused new contracts for fear that they will not be paid. For what concerns buyers, who had money, they were expecting cheaper and larger buildings, and those who did not have cash, they were not given credit by banks, which were also distrustful in the value of the property assessment and in the possibility of loan repayment. Construction field, with an important contribution to GDP growth, is struggling for survival. The number of unemployed persons increases and state costs also increase.

We can see how distrust is becoming a general one, with serious implications, and we conclude that *a hidden fee is being paid*, a tax created by distrust. Trust affects two results: **speed and costs** [1]. When trust

decreases, the speed of the action and the speed of economic transactions also decrease and the costs increase. Customers perceive the distrust expressed by businesses and they give it up. Thus, sales are reduced, there are layoffs and the costs faced by both the entrepreneur and the state grow. The mechanism also works in reverse. Trust is like a key that starts the economic engine, sustains the processes and transactions and reduces costs and losses.

To see how participants behave in economic, master of fear and mistrust, and what consequences their actions on other actors, as well as the global economy, I made an analysis whose results are summarized below:

- **Economic actor: CITIZEN.**

Source of distrust: improving the overall situation.

Mode of action: consumer caution.

Consequences: decrease consumption of products and services and, at the same time, production.

Source of distrust: the system of government.

Mode of action: immigration, protests, strikes.

Consequences: disturbing activities, blocking economic processes.

- **Economic actor: EMPLOYEES.**

Source of distrust: job security, adequate financial remuneration and without delay.

Mode of action: fear, reduce consumption, saving and keeping money at home.

Consequences: decreasing efficiency and effectiveness at work, reducing the consumption, removal of economic circuit of money and blocking them.

Source of distrust: efficient use by the state of contributions from salary, public services in exchange for these contributions.

Mode of action: work on the black market.

Consequences: decrease in state funds.

- **Economic actor: MANAGER.**

Source of distrust: he leads the team and how the tasks are performed by it.

Mode of action: authoritarian, not delegate responsibilities, verification and control excessive, take one decisions.

Consequences: delayed decisions and may not the best, losing valuable time by performing controls and checks repeated, his distraction from its important responsibilities (developing strategies for recovery and growth, etc.), task load unnecessary that can be delegated to employees, creating an environment tense and a mutual distrust, low labor productivity.

- **Economic actor: ENTREPRENEUR / INVESTOR.**

Source of distrust: business success and its profitability.

Mode of action: keeping funds available, reducing costs to a minimum.

Consequences: stagnant economy, the unemployment rate increase, the economic situation deteriorates.

Source of distrust: state support, the system of taxes and fees.

Mode of action: illicit activities and creative accounting to avoid the payment of contributions, making investments in other countries that offer incentives and benefits.

Consequences: reducing the funds available to the state.

- **Economic actor: CUSTOMER.**

Source of distrust: quality products and services, continuity of an enterprise activity, pricing accuracy, the company adopted a social and environmental policies as appropriate.

Mode of action: giving up the products a company and calls for competition.

Consequences: decreased sales, reduced revenues, reduced activity and layoffs of staff, stagnation or even bankruptcy.

- **Economic actor: BANKER.**

Source of distrust: customer solvency, economic recovery.

Mode of action: restricting credit and even freezing.

Consequences: lack of liquidity necessary consumption, development or even investment, slowing economy, the collapse of business.

Source of distrust: evaluate reports of experts, real estate market fluctuations.

Mode of action: request for review, disruption of real estate lending process, credit refusal.

Consequences: blocking real estate transactions.

• **Economic actor: STATE.**

Source of distrust: honesty and good faith of economic actors.

Mode of action: imposition of various taxes, tributes, repeated controls, excessive bureaucracy.

Consequences: discouraging entrepreneurship and foreign investment, disruption of activity of firms.

• **Economic actor: EUROPEAN UNION.**

Source of distrust: performance criteria for a country to become an EU member state and compliance responsibilities by Member States.

Mode of action: imposing stringent criteria and complex plans must be met by the States wishing to accession, careful monitoring and verification.

Consequences: long process of accession.

3. Economic sentiment indicator (ESI)

The Economic Sentiment Indicator (ESI) is an indicator that measures public confidence in the economy. It takes into account five sectors, each with different weights: industry, services, consumer, construction and retail trade.

For each sector is establishes an index of confidence, periodically, based on a balance of answers to a series of questions strictly related to the field analyzed. ESI is calculated as an index as an index with mean value of 100 and standard deviation of 10 over a fixed standardised sample period.

Table 1. The index of economic confidence during June-October 2011

time/ geo	June	July	Aug.	Sept.	Oct.
EA17	105.4	103.0	98.4	95.0	94.8
EU27	104.6	102.3	97.4	93.9	93.8
RO	93.7	93.6	92.3	91.6	90.8
UK	99.9	98.5	92.9	89.5	89.5
DE	114.5	112.7	107.0	104.9	104.1
ES	95.7	93.0	92.7	90.9	90.8
FR	107.4	105.9	99.7	96.0	97.2
IT	99.3	94.8	94.1	89.0	89.3
PL	97.5	97.9	94.3	93.2	92.6
GR	70.0	70.9	73.7	70.6	67.5

Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=en&code=teibs010>

As we can see, confidence in the economy declined, both in the euro area (EA17), which includes 17 states and the European Union (EU27), consists of 27 Member States, in a similar rhythm, in the five months analyzed.

Except for France (FR), which is recorded in October, compared to September, an increase in confidence by 1.2 points, Italy (IT) that a slight increase of 0.3 points and the United Kingdom (UK) that a stagnation at 89.5 percent during the same period, the evolution of the index of confidence in the economy follows a trend descendent monthly, as can be seen from the table. The perception population of the economy continues to suffer, the worst situation is in Greece (GR), which record the lowest ESI, in the month october reaching the level of 67.5 points. This is due, no doubt, serious economic problems that Greece has to face today.

In Romania (RO), analyzed index fluctuations are not drastic in between June-October 2011. Falling at the same trend descendent, but decreased to 93.7 index points in June to 90.8 points in the month of October (a decrease of 2.9 percent in five months), indicating a slight decrease in terms of distrust and panic in our economy. Countries like United Kingdom, Germany (DE), France (FR) and Italy (IT) recorded a decrease of 10 points, or even more, changed in comparison period.

4. Restoring confidence

In current conditions of political instability and unpredictability for the economic environment, the economic crisis can be both partner and adversary. With a positive mind and approach, and meeting the necessary conditions for **A-DAP-TA-TION**, the smart entrepreneurs are able to increase their business by treating the crisis as a partnership. The secret of success is about your position to the new conditions, if you have enough confidence to give your business another chance, or if you let yourself subdued by distrust in everything that surrounds you.

For an economic recovery, we should start to regain confidence, and to regain confidence, we need high levels of character, competence, not only at the employee, leaders, government level but also at the European Union level.

Restoring confidence involves quality communication, that should present the real situation, but also a recovery plan, maintaining morale, training and proper motivation of employees to work more efficiently, recognizing achievements, and appropriate remuneration.

Distrust and panic, created by the crisis, determine an organization to reduce costs to minimum, while it should invest in new strategies, in technology, in employees, in distribution channels, in image. So you can enjoy trust, you must offer it first. You have to respect commitments, to give confidence to the team and to your partners, and to create transparency.

The solution to escape the recession is to sell. You should sell, being careful to customers requirements and respecting the business environment which you belong to. To sell means initiative and action, basic burdens of entrepreneurs and managers. As long as a businessman focuses on quality of his products and services and, importantly, keeps them in time, he gains the trust and customer loyalty. He will sell more and get more cash. Having money and paying at maturity, suppliers will want to conclude business with him, and they will also give him discounts. Thus, the beneficial effects are multiple, and costs are reduced considerably. As a businessman, if you do not present credibility and reliability for your partners, they will refuse to collaborate. Profitable business can be made in minutes, by shaking hands with a partner you trust, this gesture being actually the unwritten contract, underlying the transaction.

The resumption of investment flows plays a very important role in the economic recovery. For this, the state is required to restore positive feelings in the economy. „*In times of crisis, the business needs **landmark stability** more than ever*”, said Bernard Baumohl, executive director of Economic Outlook. „*Therefore, attention in business environment is strongly moving to the state, and its help becomes fundamental. From investments in the economy, to lending areas*

considered to be strategic, such as infrastructure, to ensure funding lines and to develop a fiscal framework adapted to the crisis, businessmen look with hope towards authorities”.

5. Conclusions

Proliferation of distrust in the economic and social environment, on individuals and entities, has negative effects on the economy. It hinders business processes, decisions, investments, developing transactions, involving a series of direct and indirect costs. Distrust in the economy may keep, and kept, minus stock exchanges.

I could notice that fear and distrust is a great enemy for economic recovery. To regain confidence in the economy, ethics, transparency, respect for commitments and providing reliable voting to partners, are required. A moral basis can be profitable for a company that respects its customers and the environment.

The state has an important role in the process of restoring trust and of economic recovery. It has the task of creating an investment environment of trust and security, fiscally stabil, and a moderate tax on investments, able to attract foreign and individual investors within the boundaries.

Economic collapse is not just a chain of collapses of some business, of economic events, but also relates to the psychological factor, distrust. Therefore, to overcome the crisis, it is necessary to restore confidence in all structures with implications on the economic environment. Only so, transactions and economic circuits, currently blocked by fear caused by the economic crisis, will be brought to life.

6. Acknowledgement

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Financing of Investments – A Starting Point for the Economy Development Practical Application of EOP Biodiesel

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Abstract

Liquidation is one of the most important indicators of the companies. The fact, that the financial resources, as well as the valutary or the material ones are limited, and the destinations are competitive, claims their usage under extremelly efficient conditions. On expenses commitment for accomplishment of an objective or of an action, there must be carefully analized all the susceptible solutions worthing to be taken into consideration for choosing the optimum variant that presents the most advantageous report between the required effort and the obtained effort as its result. The financial policy must follow the systematic growth of all expenses efficiency.

Key words : own financing sources, profitability, capital, biodiesel industry, investment project.

J.E.L. classification : D24; M21.

1. Introduction

Without a capital adequacy, any small or middle business has less chances to be successfully marketed and to be developed. But attraction of the necessary financial funds raises several problems to the enterpriser, both under the discovering and access aspect to the financing sources, and under the aspect of advantages and disadvantages implied in each source separately. The main disadvantage that results in case of using funds, other than the own ones, is the decreasing of the rights of control and property of the enterpriser upon the business.

The own funds represent the most frequent starting point in case of small and new business. The financial institutions are less opened – especially during periods of economic instability – to the firms that are at the beginning than to those with a “history” already known.

Size decrease of the assets balance-sheet items or increase of the liabilities balance-sheet items value is equivalent to ready money release for the enterprise, and as a result, it can be considered a ready money source.

Thus, in the category of ready money source, it is included: the sale of fixed assets from the enterprise ownership, the clearance of the stocks of raw materials and/or finished goods, the decrease of receivables volume, the increase of the contracting credits from the third parties or of the capitals attracted from the shareholodres, the increase of payment gaps towards providers, employees, associates.

In the category of ready money use, it is included: the investments, the acquisitions of new assets and/or equipments, the stock increase of raw materials and/or finished goods, the increase of receivables volume, the reimbursement of contracting credits, the decrease of exploitation debts, the loss accumulation, the share repurchase from the enterprise associates.

2. The historical evolution of EOP Biodiesel and delimitation of its object

EOP Biodiesel, a German producer of biofuel, anticipated a high potential of development in the baltic countries, like Romania and Bulgaria, countries that do not have sufficient capacities of production in order to comply with the objectives of the European Union concerning the use of the

alternative fuels. The Beteiligungs EOP Division operates in Romania by EOP Farms și EOP Siloz that work with rapeseeds.

After 1973, when the first important world oil crisis took place, the scientists and specialists turned their attention, searches and researches towards finding any inexpensive and promising alternatives for the limited crude oil reserves of the Earth. Lately, these efforts have been added to the ones for the environmental protection whose pollution reached life-threatening levels in some parts of the world.

And thus, as a result of these sustained researches of the specialists all over the world, it appeared one of the saving solutions: Biodiesel! This is an alternative, non-polluting fuel which is obtained from regenerable resources (crops of rape, corn, etc.) and can successfully be used in diesel engines, being combined in different proportions with diesel fuel in order to create, thus, a mixture of fuel for the vehicles.

More foreign companies showed their intention to produce biodiesel in Romania. Likewise, the businessmen from Romania can see an opportunity in biodiesel production for their own companies as well as for Romania, that, according to the European Directives, they must take measures for replacing the gasoline and diesel fuel used in transportation with biofuel, from 2% in 2006 to 20 % in 2020.

A company listed at the Stock Exchange since 14.09.2005, EOP Biodiesel AG has been producing more than 400000 liters per day of quality biodiesel based on rape oil. This corresponds to the highest quality standards.

3. Description of the investment project

The main working hypothesis include both estimations at the macroeconomical level for the general evolution of national economy, and estimations specific to the biodiesel industry from Romania.

3.1. The main working hypothesis

1) Hypothesis at the macroeconomical level

Basic macroeconomical data used in construction and evaluation of the investment pattern, are:

a) Evolution of inflation rate in Romania during planification. Estimations of this indicator are made by international forecasting institutions and are based on a short-medium term horizon reflected through the prism of the current market situation (corresponding to the situation at the moment of evaluation).

b) The medium exchange rate RON-EUR during planification period is based on the current futures quotes, for different maturities, and it is provided by the Bloomberg financial information network. The necessity of selecting a medium rate exchange derives from the complete calculation of the investment rentability

proposed in EURO currency, fact that corresponds to a normal calculation option from the perspective of an EU investor in the Romanian economical environment and to the emission of initial capital in the European currency. Choosing a specific temporary rate exchange, instead of a fixed rate exchange for all period, is convenient due to inclusion of a considerable time horizon (in comparison with the present value, affected by the current market situation).

2) Hypothesis at the level of biodiesel market from Romania

The working hypothesis specific to biodiesel refer to the sustainable volume of biodiesel production in Romania and to the share evolution held by the EOP investment on the local market of biodiesel.

By sustainable production, it is referred to the accomplishment of a lasting development of biodiesel industry, without any negative impact on other economical branches. The main raw material for obtaining biodiesel is vegetable oil, a good but with a wide use also in the alimentary field, respectively in securing the human food necessity.

The main steps followed in estimation of the working hypothesis specific to the biodiesel market from Romania, are:

Step 1: Forecastings regarding the national production of biodiesel during the analysis period – are based on the national production of oleaginous seeds, estimations regarding the level of exports of these goods and the conversion rates for seeds – vegetable oil and respectively vegetable oil – biodiesel.

A basic influence factor in the positive evolution of biodiesel production is the agricultural yield of the oleaginous seeds, expressed in accordance with the quantity obtained per a hectare cultivated with these seeds. In comparison with an EU average, the actual level of this yield is over 2, lowered, fact that reflects not only the low efficiency of the agricultural branch, but also an opportunity of getting more efficiency and obtaining a higher production of seeds, without having a negative impact on the alimentary branch (in the working hypothesis, the cultivated surface is not modified, thus, the increase of the obtained quantity being only by means of a superior agricultural efficiency).

The main factors with a direct influence on the sustainable biodiesel production from the internal resources of raw material are not only the efficiency of oleaginous seeds but also the level of these seeds export (being high at present, due to the requests from other EU members for covering the own biodiesel need)

Step 2 : Forecastings regarding the market ratio held by the investment project of EOP in Romania - are based on estimations made in the previous step for the national biodiesel production, and on the production capacity taken into consideration by the EOP investment from Romania.

The market ratio held by EOP Romania has a positive evolution till 2011, when it reaches approximately 27%, corresponding to the capacity of maximum production of investment (45 thousand tones).

After 2011, the market ratio decreases and reaches the level of 18,5% in 2015. The negative evolution of the ratio is due to a constant level of EOP production, limited at the maximum capacity of investment, while the market is recording a continuous increase of the national production.

Step 3: Estimation of the investment project earnings and of the main variable cost positions.

The main earnings of the investment project come from the sale of biodiesel as a base product, and of glycerine as an alternative product.

The produced and traded quantities of biodiesel by EOP Romania correspond to the level estimated in the previous step. The trade price for 2009 corresponds to the current market price, and for the following planned years, the price was adjusted by the annual inflation previously estimated.

The final price forecasting of biodiesel used in the financial planification is based on the Euro currency and transformation of the national price in an Euro equivalent price, by means of the futures quotes.

The glycerine price is directly expressed in Euro currency due to the European outlet and it has been yearly adjusted by a constant annual inflation of 1%, as the glycerine price reports to the entire European market, and only limitedly to the Romanian one.

The glycerine quantity resulted from the biodiesel manufacturing process is forecasted to approximately 10% from the quantity of used vegetable oil.

The main variable expenses of biodiesel production are connected to the vegetable oil acquisition, with the highest contribution to the cost structure, and to those for methanol.

Calculation of vegetable oil price is similar to that for biodiesel trade price (National price - > Adaptation to the inflation level - > Conversion of national price in Euro currency).

The necessary volume of methanol for securing the biodiesel production is estimated to 10,4% from the necessary quantity of vegetable oil.

3.2 Structure of the project financing

For the achievement of the EOP investment project, there are taken into consideration 3 financing sources:

- **Equity capital:** it is constituted from the initial capital inflow and the distribution of the annual net profit / loss (working hypothesis: no other capital accretion)

- **Initial bank loan:** it is performed for covering - the financial gap, due to an insufficient capital inflow, - the initial investment in acquisition and development of the investment placement infrastructure and the necessary production equipments. The initial bank loan has a redemption period of 6 years, with rate payment at the end of each calendar year. The interest taken for this loan is 10%.

- **Bank credit line:** it is made for covering the current necessity of ready money for a normal functioning of biodiesel production (securing the working capital), and the loan redemption is flexible, according to the EOP needs. The interest taken for this loan is 11%.

The equity capital inflow has an unfavourable evolution due to the loss reported during the first years of the financial planning and of the working hypothesis regarding the dividends distribution (100% of the net profit distribution is starting in 2011).

The bank loan should be totally repaid till the end of 2013, while the volume of the credit line increases considerably, due to the covering of the ready money need for the project.

3.3. Planning of the investment performance

The main earning sources (biodiesel and glycerin) and the sources generating variable expenses (vegetable oil and methanol) were presented in the previous sections.

Project evolution during the first years was negatively affected by a low level of production, mainly caused by the installation and operation process at normal parameters of production (in these calculations there were also included the initial production loss as a result of some technical problems, specific to a starting investment or to a local level of an insufficiently developed know-how). Other direct expenses are forecasted at a constant annual level, depending on the obtained earnings and they correspond, in percentage, to the research results in the field of biodiesel (feasibility and research study at a scientific level).

EBITDA margin was negative in 2009 as a result of a low production level corroborated with a high level of the fixed expenses, corresponding to a production of maximum capacity or close to it.

A normalized EBITDA margin is to be recorded in 2011, when the market is penetrated by EOP products and the equipment of production operates at high parameters. EBIT margin records a similar evolution, but it is additionally affected by the fixed expenses for amortization.

As a result of the loss recorded in 2009 and 2010, and of the opportunity to use the accumulated loss from the calculation of the profit tax in 2011 (hypothesis of deductibility of loss from the profit of the following 5 years), the planning forecasts tax expenses only starting from 2012. The complete tax ratio of 16%, proper to the fiscal field from Romania, is applied to the profit before tax (EBT) from 2012.

3.4. Capital Cost

The capital cost was estimated by means of the weighted average cost of capital on the basis of the initial capital structure, mentioned here as WACC (57% - loan capital, 43% - equity capital)

The cost of the equity capital for investment in biodiesel market from Romania was estimated by CAPM. Their basic elements are:

- **The risk free-rate** - corresponds to the yield offered by the Austrian government bonds, the main outlet market for biodiesel production from the source company, with a long-life maturity (the life period of investment project in biodiesel is considerable).

- **The country risk premium** - corresponds to the spread between the financial instruments issued in a developed country and a country of investment placement, in this instance, Romania.

- **The Unlevered Beta** - was estimated on the basis of the linear regression of 60 samplings of monthly observations, by means of a company group listed at the Stock Exchange, having the same field of activity as EOP biodiesel. The final value of this indicator corresponds to an arithmetic average of beta values obtained for each company from the group, and the ulterior

elimination of the effect upon beta, due to the particular financing structure. Thus, the resulted value reflects only the operational risk.

- **The relevering process** – is based on reintroduction in the beta indicator of the risk caused by the structure specific to the financing of investment in the local production of biodiesel (D/E 1.33 due to an initial superior level of the loan capital for financing the equipments and the placement of location).

- **The market risk premium** – is forecasted to 5,5% and corresponds to the recommendations of The Auditors Chamber from Austria for a long period of time, for a mature capital market (a standard reached by Romania on a medium-long term).

4. Conclusions

Maintenance of the investment activity in Romania, as well as valorization of the oportunities specific to the present situation, can constitute important measures for reducing the impact of the economical and financial crisis.

In the present international situation, it has been highly emphasised the strategic orientation of investments which implies that, the managers must know not only the present social-economical environment, but also the future one, and identify the causes of changes. There shall be accomplished only those projects that have successful chances, that means, the ones which will generate useful effects during their entire economical life, in a social-economical environment that is in a continuous change and that is sometimes hostile.

This approach is of greater importance in the public working field, where each project must fit in the strategic axis of the social-economical development on a local and/or national plan.

In grounding of the investments decisions, the emphasis is put on the quantitative techniques of modification and quantification. The analysis on the basis of the cash flow generated by the project becomes a classical in the field from now on.

Whether the time limit of the project is longer, (the case of the research development projects of the territorial placement ones) the traditional techniques of decisions grounding are difficult to apply and do not give the best results.

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A Brief Regard on the Cohesion Policy

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Abstract

More than five years have passed since the moment when the first European financial period that concerned 27 Member States officially commenced. The European authorities analysed its weak and strong points so far, and on this basis, they issued proposals for the next 7 financial years. This paper is intended to present a short overview of the main differences and similarities between the current financial period and the future one, in terms of budget, objectives, European co-financing and its architecture in general.

Key words: European cohesion policy, financial period

J.E.L. classification: O022

1. Introduction

EU acts to promote "harmonious development" and aims, in particular, "to reduce the gap between different regions"[1].

Since the mid 80's, the importance of the European development policies has grown, in both legal and budgetary terms. In **legal terms**, the problem of achieving "Economic and Social Cohesion" in Europe has gone from being just a mention in the Preamble of the Treaty of Rome, to become Title XIV (current Title XVII) after the adoption of the Single European Act. In **budgetary terms**, the policy development stage has increased from representing almost 10% of the European Communities budget and 0.09% of EU-15 GDP in 1980, to more than one third of the budget and about 0.37 of EU GDP, as an average for the 1998-2001 period[2]. The development policy has become, after the Common Agricultural Policy, the second largest European policy regarding the size of its implementation area[3].

The 1989 Structural Funds reform involved not only the coordination of the three then - existing Structural Funds (European Social Fund - ESF, the European Agricultural Guidance and Guarantee Fund – EAGGF and the European Regional Development Fund - ERDF), but also doubling the money allocated to regional development from 15.1% of the EU budget in 1988 to 30.2% in 1992. Secondly, the decision taken through the Maastricht Treaty to create a single European currency was closely related to the decision of establishing the Cohesion Fund.

The concentration of the regional policy was further increased by reducing the number of objectives from 7 (in the programming period 1994-1999) to 3 (in the programming period 2000-2006)[4]. For the 2007 – 2014 period there are 3 objectives, but for the next financial period, cohesion policy objectives will turn into 2 "Goals".

Since November 1993 when the Maastricht Treaty entered into force, economic and social cohesion became, officially, one of the objectives of the EU. As the EU expanded, consolidating the economic and social cohesion became more difficult because Member States became more heterogeneous[5]. Structural policies were developed based on three general assumptions: there were disparities between EU regions, structural policies were able to reduce these disparities and regional growth and convergence lead to cohesion[3].

The Cohesion policy was reformed in 2006. Bureaucratic simplification was attempted, by even reducing the number of documents that each Member State had to convey at the beginning of the financial period for EC's approval. Cohesion policy objectives were closely linked to the Lisbon Strategy. How will the cohesion policy look in 2014-2020? We try to present a short overview of the main differences and

similarities between what is happening in the current financial period and what it's expected to happen - according to the legislative package in debate - in the future financial period.

2. A brief history of structural and cohesion funds

Since the establishment of the European Coal and Steel Community, the Structural Funds have contributed to the realization of EU's economic and social policies.

1957. Since the drafting of the Treaty of Rome, the document that laid the foundation for future European Communities, there have been made specific references about the need to eliminate the economic disparities between regions.

1958. The European Social Fund and the European Agricultural Guidance and Guarantee Fund were created.

1975. After the accession of Denmark, Ireland and Great Britain, the European Regional Development Fund was created. It was the first time when the concept of redistribution between rich and poor areas of the Community was used.

1986-1987. The concept of social and economic cohesion was introduced in the Treaty; this concept aimed to help the last Member States (Spain and Portugal) to meet the challenges of the single market.

1988. At the initiative of the European Commission's President, Jacques Delors, the financial resources for Structural Funds were doubled over the next years. Thus, poor countries received about 154 billion ECU in nine years.

1989. The system of granting structural funds was revolutionized by introducing the principle of multi-annual programming, setting the priority objectives and developing partnerships between Member States.

1992. The Heads of State decided to double the budgets of disadvantaged regions.

1993. „Cohesion" became a priority objective for the Union.

1995. Due to the accession of Sweden and Finland, less populated regions began to receive funds.

1999. The Heads of State and Government decided at Berlin the next reform of the structural funds, focusing on helping disadvantaged social groups and regions.

2006. A new reform of the cohesion policy aimed at reducing the number of objectives and instruments. EAGGF and IFP were no longer instruments of the cohesion policy.

3. The actions of the cohesion policy. Objectives.

2007 - 2013

In order to achieve the objectives stipulated in the Treaty of Maastricht, the EU budget finances cohesion policy actions that contribute to promoting sustainable growth[6], competitiveness and employment[7].

The cohesion policy has a strong instrumental character and it contributes through its solidarity funds to the accomplishment of the objectives of other EU sectoral policies - such as the common agricultural policy, social policy, and environmental policy. In addition, the regional development policy is related to the enlargement policy through the creation of pre-accession funds - PHARE, ISPA and SAPARD. These are funds to which the candidate countries have access and that support their transition to EU standards.

2014 - 2020

The European Commission decided that the cohesion policy must remain an essential element of the financial package 2014 - 2020 and it also highlighted its important role in the implementation of Europe 2020 Strategy. The economic crisis caused a shock to millions of citizens and revealed some fundamental weaknesses of the European Union's economy. Consequently, three priorities, which are mutually reinforcing, were proposed by Europe 2020 Strategy[8]:

- **Smart growth:** developing an economy based on knowledge and innovation;
- **Sustainable growth:** promoting a more efficient economy in terms of using greener and more competitive resources;
- **Inclusive growth:** promoting an economy with a high rate of employment to ensure social and territorial cohesion

The three priorities of the strategy are interdependent and mutually reinforcing because progress in the educational field helps job prospects improvement and poverty reduction. More investments in research and innovation and more efficient use of

resources help us become more competitive and provide favourable conditions to create new jobs. Also, investment in green technologies contributes to combating climate change and creates new business opportunities and jobs.

For the 2014 – 2020 period, the European Commission proposed several important changes to the way in which cohesion policy is designed and implemented. These are:

- focusing on Europe 2020 Strategy's priorities of smart, sustainable and inclusive growth;
- rewarding performance;
- supporting integrated programming;
- emphasis on results - monitoring progress towards the agreed objectives;
- strengthening territorial cohesion; and
- simplifying the application.

In what follows, we try to present a number of similarities and differences between the two cohesion policy financial periods.

What stays the same:

There will be the same cohesion policy financial instruments.

The cohesion policy is financed from the EU budget through three structural instruments: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

The European Regional Development Fund (ERDF)

The ERDF finances the European intervention aimed at strengthening economic and social cohesion by redressing the main regional imbalances offering support for the development and structural adjustment of regional economies, including the conversion of declining industrial regions and less developed regions and supporting cross-border, transnational and interregional cooperation.

European Social Fund (ESF)

ESF contributes to the Community's priorities regarding the intensification of economic and social cohesion by improving employment opportunities, a quantitative and qualitative employment and by encouraging a high level of employment.

Cohesion Fund (CF)

The Cohesion Fund is the financial instrument that supports investment in transport infrastructure, energy and environment.

Unlike the Structural Funds, the Cohesion Fund does not co-finance programmes, but it provides direct funding for individual projects, which are clearly identified from the beginning. The decision to finance a project is taken by the Commission in agreement with the beneficiary Member State, while national projects are managed and supervised by a Monitoring Committee.

The budget will not change significantly.

The financial allocation is relatively the same, compared with the large sums allocated. The difference is no more than 8% for the years 2014-2020 in comparison with the current financial period. Thus, the budget for 2007 - 2013 was 347.4 billion euros and the total budget proposed for 2014-2020 is EUR 376 billion, including funds for the new "Connecting Europe" facility. This facility is designed to increase the number of cross-border projects in domains such as energy, transport and information technology. The budget for 2014-2020 will be distributed according to the graph and table below:

Graph 1. The budget proposed for 2014-2020



Source:

http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

Table 1. The budget proposed for 2014-2020

The budget proposed for 2014-2020	Billion euros
Less developed regions (Romania)	162,6
Transition regions	38,9
More developed regions	53,1
Territorial cooperation	11,7
Cohesion Fund	68,7
Outermost regions	0,926
The "Connecting Europe" facility for transport, energy and information technology systems	40

Source: Proposal for a Regulation of the European Parliament and of the Council, No. 2011/0276

What changes:

European co-financing

For 2014 – 2020, the Commission proposes capping co-financing rates at the level of each priority axis within the operational programmes at 75 - 85% in less developed regions and outermost regions, 60% in transition regions and 50% in more developed regions.

Geographical spread of European funds contributions

From six members in 1950 to twenty five in 2004 and twenty seven in 2007, the European Union can introduce itself today, and on good grounds, as a continent. Spanning between the Atlantic Ocean and the Black Sea, it reunites Western Europe and Eastern Europe for the first time from their separation determined by the Cold War, over 60 years ago. To ensure the concentration of funds according to the level of the national gross domestic product (GDP), a clear distinction between less developed and more developed regions is to be made in the 2014-2020 financial period.

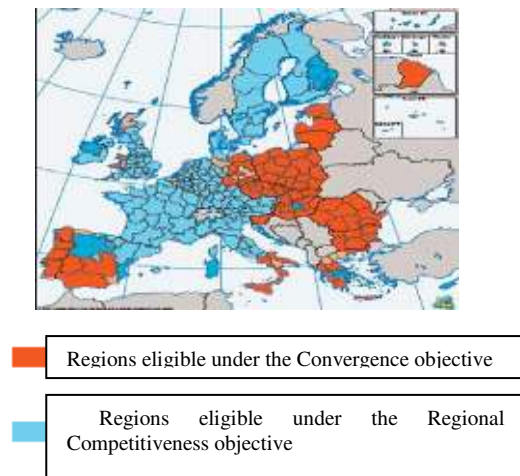
Less developed regions: Supporting less developed regions represents and will remain a high priority of the cohesion policy. Surmounting the social and economic

disparities between regions will require long term endeavours. This category includes those regions with a GDP/capita less than 75% of the average GDP of EU-27.

More developed regions: While interventions in less developed regions will remain a cohesion policy priority, there are still important challenges that concern all member states, such as the global competition in the knowledge-based economy and the shift towards the low carbon emissions economy. This category includes those regions with a GDP/capita above 90% of the average GDP of EU-27.

The programming of the 2014 – 2020 financial period introduces a new type of region, the transition region. This type of region was introduced to substitute the present system of progressive elimination and introduction of European support. This category includes all regions with a GDP/capita between 75% and 90% of the UE-27 average.

Figure 1: 2007 – 2013 eligible regions – cohesion policy



Source:

http://ec.europa.eu/regional_policy/atlas2007/index_ro.htm

Figure 2: 2014 – 2020 eligible regions – cohesion policy



Source:

http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

Cohesion policy objectives and European funds allocation amongst regions

For the 2007 – 2013 financial period, the policy framework is based on accomplishing the objectives of both Lisbon and Göteborg Agendas. The 3 objectives are:

Objective 1: The Convergence objective aims at speeding the economic development in less developed regions through investments in infrastructure, human capital, innovation, development of the knowledge-based society and environmental protection.

Objective 2: The Regional Competitiveness and Employment Objective aims at developing competitive regions, better employment by anticipating economic and social change by increasing and improving investment in human capital, innovation and promoting the information society.

Objective 3: The Territorial Cooperation Objective aims at boosting the cooperation between regions on three levels: interregional cooperation – the encouragement of experience exchanges between EU areas, cross-border cooperation – joint programs run in border regions and transnational cooperation.

The 2014 – 2020 financial period brings new changes: The European Commission proposed to merge the first two objectives, convergence and regional competitiveness, into a single goal: **Investment for growth and jobs**. The Territorial Cooperation Objective evolves into the Territorial Cooperation Goal.

Table 2: 2007 – 2013 Cohesion Policy architecture

Structural and Cohesion Funds	Eligible areas	Financial allocations
„Convergence” Objective		
251,16 Mld. Euro		81,54%
ERDF	Regions with GDP per capita <75% of the GDP per capita EU25	57,04% 189,6 Mld Euro
ESF	Member States with GNI <90% of GNI / capita EU25	24,5% 61,55 Mld Euro
CF		
„Competitiveness and Employment” Objective		
49,13 Mld. Euro		15,95%
ERDF	Member States propose a list of NUTS I or NUTS II regions	15,95% 49,13 Mld. Euro
ESF		
„European territorial cooperation” Objective		
7,75 Mld Euro		2,52 %
ERDF	Border regions and regions for transnational cooperation	2,52 % 7,75 Mld Euro

Source: http://ec.europa.eu/regional_policy/

Table 3: 2014 – 2020 Cohesion Policy architecture

Goals	Types of regions	Structural and Cohesion Funds
Investment for growth and jobs	Less developed regions Regions with GDP per capita <75% of the GDP per capita EU 27	FEDR FSE FC
	Transition regions Regions with GDP per capita 75% < 90% of the GDP per capita EU 27	
	Developed regions Regions with GDP > 90% of GDP / EU 27	FEDR FSE
European territorial cooperation		FEDR

Source: Proposal for a Regulation of the European Parliament and of the Council, No. 2011/0276

Multi-fund Operational Programmes

Up until 2013, if an operational programme financed from the ERDF targets operations eligible for financing through another Community support instrument, the member states decide, for each operational programme, the criteria that can allow the demarcation between operations supported

by the ERDF and operations supported by other instruments[9].

With the new financial period 2014-2020, the possibility to finance priority axes within the same Operational Programme was introduced for the three structural instruments – ERDF, ESF and CF.

A modified programming framework

To maximize the policy impact in what the accomplishment of European priorities are concerned, the Commission proposed the strengthening of strategic programming. This implies the introduction of a Common Strategic Framework, Partnership Contracts and a list of thematic objectives in line with the Europe 2020 Strategy and its integrated orientations[10].

The Common Strategic Framework is to be adopted by the Commission and it will establish key actions to achieve EU priorities, it will provide guidance regarding the programming applicable to all funds, including EAFRD and EMFF, and it will promote a better coordination of all structural instruments of the EU.

The Partnership Contracts, agreed at the beginning by the Commission and the member states, are intended to establish the general contribution at the national level, in relation to the thematic objectives and to the commitments concerning tangible actions aimed at pursuing Europe's 2020 objectives. The clear and measurable objectives will be defined in a performance framework.

A common legal basis

For the 2014 – 2020 financial period, the European Commission proposes a simplification of the legal basis of the European policy for regional development, through the establishment of common rules for the funds covered by the Common Strategic Framework.

Thus, on the 6th of October 2011, the European Commission adopted a project for a legislative package that will represent a framework for the EU cohesion policy for the 2014 – 2020 financial period. One of the differences from the current period is the fact that for the next financial period the Commission proposed a common regulation that will include rules for the European Fund

for Regional Development, the European Social Fund, the Cohesion Fund, the European Agriculture and Rural Development Fund and the European Maritime and Fisheries Fund.

Flexibility and simplified management

For the 2014 – 2020 financial period, the European Commission designed some measures for ensuring a simplified management of funds and a high absorption rate. The existence of ex-ante and ex-post conditions, the implementation of an electronic system that will allow beneficiaries to send documents, the establishment of annual meetings between the Commission and the member states so as to follow individual progress and to offer recommendations and the creation of a flexible institutional system - these could be some of the requirements of the Commission in its relation with the member states.

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Classification, Features and Benefits of CRM Cloud Computing-Based Systems

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Abstract

About once each decade, the technology paradigm shifts in fundamental ways and forces us to rethink how we support business processes. Many people have commented on the shifts from mainframes and mini-computers to client-server to Software as a Service (SaaS). The new wrinkle is cloud computing, and it is notable for two reasons. First, cloud computing is bringing many new companies into the business application space, and many of these companies are not startups. Second, the old paradigm of differentiation to the point of incompatibility among products is being reversed. In the process, many vendors are working hard to support de facto standards so that all of their products work together. These attributes will help to ensure that the cloud computing era is nothing like those that preceded it. While there are many new entrants into the cloud computing business, it is remarkable how many companies had another life before cloud computing. What's interesting here is that so many of these companies had, at best, a tenuous hold on the SaaS market to begin with.

Key words: CRM, Cloud Computing, SaaS

J.E.L. classification: D80

1. Types of CRM Cloud Computing-Based Systems

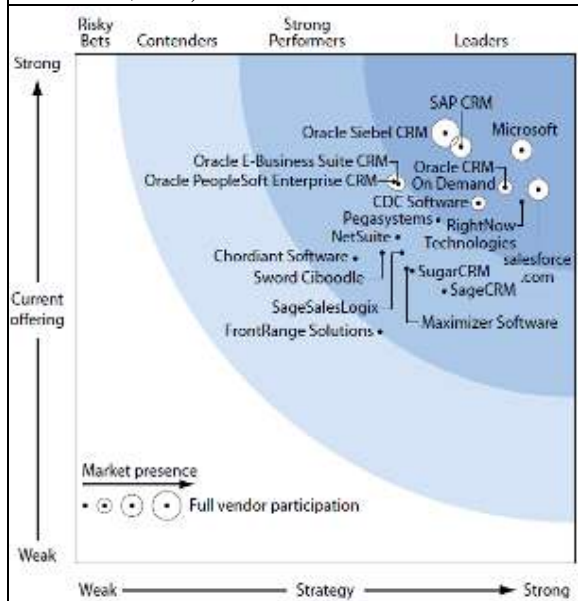
There are three types of CRM Cloud Computing-based systems to consider: *enterprise, midmarket, and specialty.*

❑ **Enterprise CRM systems.** These solutions are targeted toward organizations with revenues of more than \$1 billion per year and/or 1,000 employees or more. They offer a full range of functionalities, can scale to serve large user populations, and have support for multiple languages and countries. Examples of enterprise CRM systems are: SAP CRM, Oracle Siebel CRM, Oracle CRM On Demand, Oracle E-Business Suite CRM, Oracle PeopleSoft Enterprise CRM, Microsoft Dynamics CRM, Pegasystems Customer Process Manager, RightNow CX, salesforce, Chordiant Software CX Suite, Sword Ciboodle.

❑ **Midmarket CRM systems.** These solutions are targeted toward the midmarket organizations with revenues of less than \$1 billion per year and/or fewer than 1,000 employees. They offer limited and simpler CRM functionalities and capabilities than solutions built for the enterprise market. These solutions are less suitable for large-scale global deployments. Examples of midmarket CRM systems are: SAP Business All-in-One CRM, CDC Software Pivotal, Oracle CRM On Demand, Microsoft Dynamics CRM, FrontRange Solutions' GoldMine Enterprise Edition, Maximizer CRM, NetSuite, RightNow CX, SageCRM, Sage SalesLogix, salesforce, Sugar Enterprise.

❑ **CRM specialty tools.** These solutions offer narrow functional breadth but deep specialty capabilities for both large and midmarket organizations. Specialty CRM tools are available for marketing automation, customer service, customer analytics, and customer data management for specific

Figure 1. Evaluation of CRM Cloud Computing-Based Systems (source: Forrester Research, Inc.)



industries like life sciences and telecommunications. There are 5 categories of CRM specialty tools: *analytics tools*, *customer data management tools*, *customer service tools*, *marketing automation tools*, *industry specialist tools*. Examples of CRM specialty tools are presented by category as follows:

- a) Analytics tools: *SPSS Predictive Analytics*;
- b) Customer Data Management tools: *SAP NetWeaver MDM*, *Oracle Customer Hub*, *SAS DataFlux CDI Solution*, *IBM Initiate Master Data Service*, *IBM InfoSphere MDM Server*, *D&B Purisma's Purisma Data Hub*, *Siperian MDM Hub*, *Sun Master Data Management Suite*;
- c) Customer Service tools: *Consona CRM*, *eGain Service*, *Genesys Telecommunications Labs' CIM Platform*, *InQuira Customer Experience Platform*, *KANA Suite*, *LivePerson's Enterprise Platform*, *nGen Customer Interaction Mgmt. Suite*, *Numara FootPrints for eService*, *Parature Customer Service*;
- d) Marketing Automation tools: *Alterian Marketing Suite*, *Aprimo Enterprise*, *Infor CRM Epiphany*, *SAS Customer Intelligence Platform*, *Teradata Customer Management*, *Unica's Affinium Marketing Management*;
- e) Industry Specialist tools: *Amdocs CES Customer Management (telecommunications)*, *Veeva*

VBioPharma (life sciences), *StayinFront CRM (life sciences)*, *Cegedim Dendrite (life sciences)*;

The evaluation of the main CRM Cloud Computing-based systems reveals the comparison of their different characteristics like strategy and market presence (see Figure 1).

2. Features and benefits of Cloud Computing-based CRM systems

Sales processes benefits

CRM systems using Cloud Computing architecture increase sales productivity and business results by providing companies with a comprehensive set of tools to optimize the entire sales processes, from initial lead qualification to opportunity management, through forecasting and deal closure. Cloud Computing-based CRM systems also deliver critical information to everyone involved in the sales process, including inside sales, field sales, sales management, and partners. Embedded real-time reporting and powerful historical analytics provide insight to help managers make better decisions. Relevant sales and prospecting information can be accessed quickly and conveniently through Outlook, a Web browser, on a smart phone, or on a tablet device. By automating sales processes, and providing a comprehensive view of your customers, Cloud Computing-based CRM systems helps sales teams focus on selling rather than searching for information, resulting in increased productivity and higher revenues. The main CC-based CRM systems features that generate sales processes benefits can be summarized as follows:

- ☐ Automate sales processes, enabling salespeople to be more efficient and to focus on customers and finally to close more deals
- ☐ Provide salespeople with a choice of easy-to-use interfaces and the flexibility to work the way they do with complete access to customer and product data, anytime and anywhere
- ☐ Improve interaction with customers, by giving everyone in the organization access to one single source of real information via a customer repository

- ❑ Enable salespeople and managers to access advanced analytics to improve pipeline visibility and forecast business evolution more accurately

Marketing processes benefits

Cloud Computing-based CRM systems provide organizations and marketing professionals with a smart, simple, and integrated solution for managing marketing campaigns and activities. CC-based CRM systems provide a full suite of capabilities to automate the complete marketing process, from designing inbound and outbound campaigns through lead management and lead development to measuring marketing ROI (Return On Investment). Using built-in e-mail and Web marketing, easy-to-use automation, and built-in analytics, they provide the best of enterprise marketing automation with the advantage of complete integration with CRM. The main CC-based CRM systems features that generate marketing processes benefits are:

- ❑ Increase campaign effectiveness by delivering the right message to the right prospect at the right time with adaptive 1:1 campaigns
- ❑ Deliver higher-quality leads to sales by gathering more complete and valuable information through progressive profiling at each interaction
- ❑ Increase lead volume and conversions with automated lead promotion campaigns
- ❑ Build a comprehensive prospect database with a robust response management system
- ❑ Maximize marketing ROI ((Return On Investment) by analyzing the unified revenue funnel across marketing and sales.

Service management benefits

Customer expectations for superior service have never been higher, in contemporary competitive market. CC-based CRM systems solution enables organizations to provide quick, accurate, and consistent service to their customers, driving both increased customer satisfaction and organizational profitability. They brings together all of the critical elements of a comprehensive service

management solution that are needed to handle simple questions or manage a complex issue. Using on demand systems service, agents have clear visibility into the information that is required to ensure customer issues are resolved to satisfaction. The main CC-based CRM systems features that provide high quality service management are:

- ❑ Allow customers to interact with organization service department using any channel they wish including voice, e-mail, and IVR-Interactive Voice Response (i.e. telecommunication technology which allows customers to interact with a company's database via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the system dialogue)
- ❑ Enable agents to quickly and accurately find the right answer the first time
- ❑ Monitor customer satisfaction and provide valuable feedback for agent performance management
- ❑ Monitor organizational efficiency and maintain continual process improvement

Call Center communication benefits

The main requirements of any call center are to improve service agents' productivity, to provide superior customer service, and to keep IT costs as low as possible. CC-based CRM systems have hosted multichannel support application that can be deployed without up-front capital expenditures or integration costs. This application provides company's agents a proper environment to work efficiently from all over the world with complete and comprehensive views into customer interactions and real-time business intelligence. Thus, customers gain from rapid and personalized sales and service, while organizations can dramatically reduce costs and increase revenues. The most important CC-based CRM system features to provide Call Center communication benefits are:

- ❑ Generate a interactive communication channel between customers and organization service department (using voice, e-mail, and IVR-Interactive Voice Response)

- ❑ Enable agents to quickly and accurately find the right answer to customers' demands.
- ❑ Support full solution lifecycle management. Create and maintain a relevant solution library.
- ❑ Acquire customer satisfaction to provide valuable feedback for agent performance management.
- ❑ Maximize system analytics to monitor organizational efficiency and maintain improvement process.

CRM functionalities analytics

Making informed, intelligent, and real-time business decisions is critical in understanding what's happening across any organization. The CC-based CRM systems must have fully interactive analytic capabilities to let managers to gain deep insight into their business. This solution is able to deliver actionable insight at the speed of business by combining real-time and historical pre-built and ad hoc reports as well as customizable dashboards. With these systems managers get the critical insight that is required to quickly and intelligently identify and respond to changing market conditions. The real-time, actionable business intelligence available through the interactive dashboards, custom reports, and historical trending enables CEO's to uncover new opportunities and identify issues before they impact companies' business. The CC-based CRM systems analytics help organizations to get the most out of ROI (Return On Investment) by providing managers the ability to take the proper decisions to improve companies' effectiveness and increase revenue. The main CC-based CRM systems analytic capabilities are:

- ❑ Access real-time business intelligence
- ❑ Create historical and trend analysis via high-powered data warehouse functionality
- ❑ Create powerful ad hoc analysis
- ❑ Cover a comprehensive set of subject areas and easily cover all CRM functionalities.

CRM Mobile Sales Assistant

Mobile devices always allow customers and sales agents to keep in touch with the latest information. CRM Mobile Sales Assistant and Mobile Sales Forecast service must connect sales users with the people and information they need to be more productive and efficient.

CRM Integration

Strategic integrations yield cross-functional visibility, coordination, streamlined tasks, and increased productivity. All the silos of enterprise information must be integrated in order to operate more efficiently. Data integration is the only way to create an end-to-end, adaptable business process that overcomes the complexities of application environment and create all the necessary capabilities to make business change more quickly. The CC-based CRM systems must provide Web services support as well as built-in enterprise integration to business applications. The main issues of CC-based CRM systems integration are:

❑ *Integrate existing developer environments.* The CC-based CRM systems, must leverage the existing users development environments (e.g. *Oracle JDeveloper, IBM WebSphere, Microsoft .NET, or BEA WebLogic*). A comprehensive set of XML/SOAP APIs may be used for accessing business logic and data services to retrieve, modify, create, delete, and synchronize information.

❑ *Expand integration capabilities.* The CC-based CRM systems must provide on demand Web Service API's that solves the multi-system problem by creating seamless, real-time integrations between those multiple systems and CRM. Thus, end users can obtain holistic, secure views of customers by using standard, configurable integration technology such as Web links, custom tabs, mashups, JavaScript, or RSS feeds.

❑ *Leverage single sign-on.* The CC-based CRM systems must provide a single identity management system for all applications. Thus, users can choose to be authenticated into system automatically, once authenticated within corporate network or portal, without having to enter their log-on credentials a second time.

□ *Access robust enterprise-grade security.* To ensure data is protected, the CC-based CRM systems must provide multiple security features such as including configurable authentication options such as *sSingle sSign-oOn*, *configurable sign-in*, *various session handling options*, *IP address filtering*, *user authentication and validation*, *session authentication*, *Cross-Site Request Forgery protection (CSRF)*, *Virtual Private Network (VPN) support access*, and the most secure data facility in the world.

□ *Single vendor solution.* Leverage prebuilt solutions to connect mission-critical enterprise applications at the data, business process, and user interface levels and provide out-of-the-box support for key business flows such as opportunity-to-quote and lead-to-order—all with a consistent user interface experience. Sales organizations' performance, adoption, and information access can be increased with prebuilt integrations between same vendor products (e.g. *Oracle CRM On Demand* and *Oracle's Siebel CRM*, *JD Edwards EnterpriseOne*, and *Oracle E-Business Suite*).

Figure 2. Typical architecture of a Customer Relationship Management system based on a Public Cloud

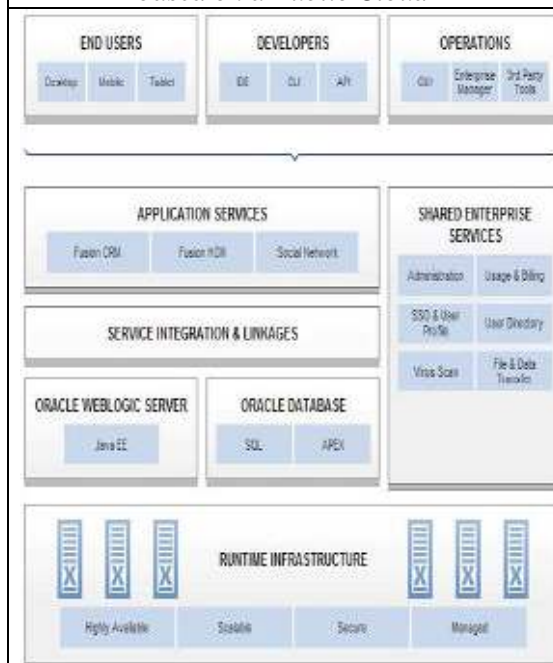
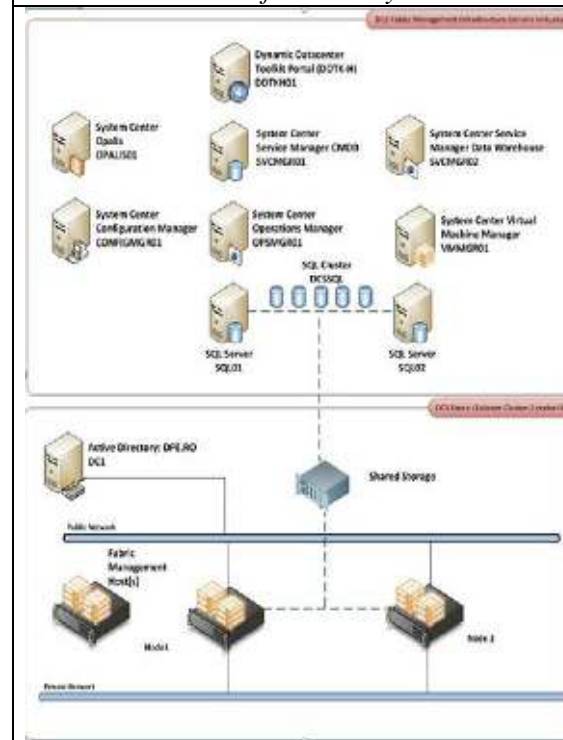


Figure 3. The Advanced Private Cloud architecture for CRM systems



In the end, we can emphasize the architecture of a typical Customer Relationship Management system based on a Public Cloud (see Figure 2) and on Private Cloud (see Figure 3)

3. Conclusions

CRM cloud computing has a strong future ahead, for both enterprise and small businesses. It might take a while to really implement these cloud solutions because there are minor obstacles that take time and effort. There are so many benefits of CRM cloud computing if adopted correctly.

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Effective Customer Relationship Management Using Cloud Computing

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Abstract

Cloud Computing provides a variable platform for organizations to build their infrastructures upon and to make resources available online. These resources can range from effective CRM (Customer Relationship Management) to extensive ERP (Enterprise Resource Planning). Cloud computing, as a distributed architecture that centralizes server resources on a scalable platform, allows these companies to benefit from accessing an online environment providing on demand computing resources and services. The most appealing advantage of this modern solution is that the cloud computing service provider takes care of the required hardware, software and networking including the associated costs. Cloud computing scalability and elasticity are the first two important characteristics.

Key words: CRM, Cloud Computing, SaaS

J.E.L. classification: D80

1. Cloud Computing Paradigm Definition

Cloud Computing refers to a suite of modern service oriented technologies and IT&C architectures globally named "*X as a service (XaaS)*", where X includes *Infrastructure, Platform, and Software*. From the customers' point of view, there are three new aspects in Cloud Computing:

1. The illusion of infinite computing resources available on demand, thereby eliminating the need for Cloud Computing customers to plan far ahead for provisioning;
2. The elimination of an up-front commitment by Cloud customers, thereby

allowing companies to start small and increase hardware resources only when there is an increase in their needs; and

3. The ability to pay for use of computing resources on a short-term basis as needed (e.g., processors by the hour and storage by the day) and release them as needed, thereby rewarding conservation by letting machines and storage go when they are no longer useful.

Therefore, there are many Cloud Computing definitions and one of them could be:

"Cloud Computing is a large-scale distributed computing paradigm, driven by economies of scale, in which a pool of abstracted, virtualized, dynamically-scalable and managed computing power, storage capabilities, software platforms and services are delivered on demand to external customers over the Internet" (Armbrust et al. 2009).

The main characteristics of Cloud Computing as a specialized distributed computing paradigm were emphasized by (Brunette and Mogull 2009):

scalability and elasticity, economies of scale, abstract entity, accessibility to software, device and location independence, high reliability, improved security, efficiency and utilization, constant performance monitoring.

- *Scalability and elasticity.* Cloud resources can be dynamically ("on-demand") delivered in real-time on a fine-grained and self-service basis. Users are able to re-provision with technological infrastructure resources.

Elasticity is a valuable characteristic for established companies as well as for business startups. For example, *Target*, second largest retailer, uses *AWS (Amazon Web Services)*

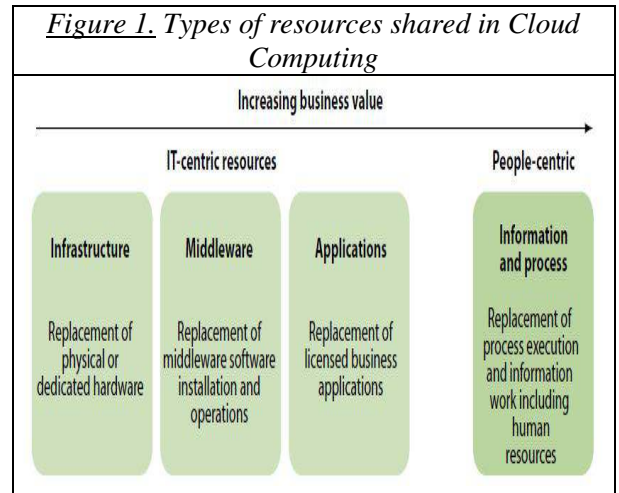
for the *Target.com* website. While other retailers had severe performance problems and intermittent unavailability on "Black Friday" (November 28), Target's and Amazon's sites were just slower by about 50%. Similarly, Salesforce.com hosts customers ranging from 2 seats to 40,000+ seat customers.

- *Economies of scale.* Cloud Computing services are claimed to be free of charge or low cost even for hardware upgrades. Capital expenditure is converted to operational expenditure in a public cloud delivery model. The cost of licensing different software packages is moved to the data center level and there is no need to upgrade the local system when new service packs or patches are released. Also the infrastructure is centralized in low cost locations (such as real estate, electricity, etc.). The economy of scale in the Cloud Computing depends on the levels of sharing of the virtual and physical resources as shown in (Table 1).

Table 1. Levels of sharing describes the economy of scale in the Cloud Computing	
Level of Sharing	Public Cloud Cloud service market Public clouds. Services are offered via the Internet in a standardized, self-service, and pay-per-use way (e.g. <i>Amazon.com</i> is a consolidated large-scale public cloud service providers that handles huge volumes of identical services without individual customer interactions).
	Hybrid Cloud (Virtual Private) Cloud and integration service market Hybrid Cloud (Virtual Private). IT capabilities are provided by service providers, similar to traditional hosting or outsourcing models but with far more flexibility regarding consumption-based pricing, standardization, and usage flexibility.
	Private Cloud Tool market Private clouds. Services share computing capabilities within a single company. IT organizations go beyond the virtualization of infrastructure and use flexible self-service provisioning tools. The governance model used by the

	CIO (the engagement with the business side of the enterprise) is characterized by high standardization of infrastructure and the risk of fluctuating utilization on the IT side.
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The types virtual and physical resources shared in Cloud Computing depends on the value of the company business (see Figure 1).



The Cloud Computing providers employs usage-based pricing, in which customers pay proportionally to the amount of time and the amount of resources they use. The customer's revenue is directly proportional to the total number of user-hours:

$$\begin{aligned}
 & UserHours_{cloud} \times (revenue - Cost_{cloud}) \geq \quad [1] \\
 & \geq UserHours_{datacenter} \times (revenue - \frac{Cost_{datacenter}}{Utilization})
 \end{aligned}$$

The left-hand side of the equation [1] multiplies the net *revenue per user-hour* (revenue realized per user-hour minus cost of paying Cloud Computing per user-hour) by the *number of user-hours*, giving the expected profit from using *Cloud Computing*. The right-hand side of the equation [1] performs the same calculation for a fixed-capacity *datacenter* by factoring in the average utilization, including nonpeak workloads. The opportunity for higher profit is represented by the greatest side of the above equation.

Apparently, if *Utilization* = 1.0 (the datacenter equipment is 100% utilized), the two sides of the equation [1] look the same. However, basic queueing theory tells us that

as utilization approaches 1.0, system response time approaches infinity. In practice, the usable capacity of a datacenter (without compromising service) is typically 0.6 to 0.8.

Whereas a datacenter must necessarily overprovision to account for this "overhead," the cloud vendor can simply factor it into $Cost_{cloud}$. While rent or lease for utility computing includes unusable overhead, the "pay-as-you-go" model does not. Hence, even if a company leases a 100 Mbits/second Internet link, it can likely use only 60 to 80 Mbits/second in practice.

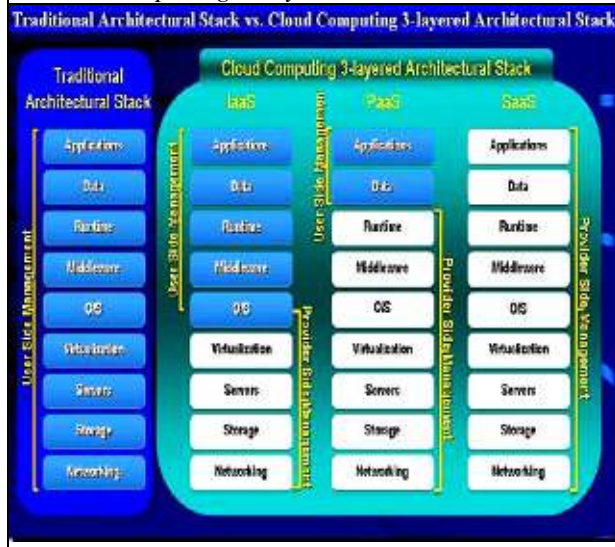
- ❑ *Abstract entity.* Cloud Computing providers can encapsulate and deliver different levels of services to customers outside the Cloud. The services can be dynamically configured (via virtualization or other approaches) and delivered on demand.
- ❑ *Accessibility to software* enables machines to interact with cloud software in the same way the user interface facilitates interaction between humans and computers. Users can reach the same result by using any Internet connected device having minimum software requirements. Cloud computing systems typically use REST-based API (Application Programming Interface).
- ❑ *Device and location independence* enables users to access systems using a web browser regardless of their location or what device they are using (e.g., PC, mobile phone). Devices with minimal hardware requirements could be successfully used as cloud clients. As infrastructure is off-site (typically provided by a third-party) and accessed via the Internet, there is no need to download or install a specific software, only the Internet connection is required, in order to become part of the Cloud;
- ❑ *High reliability* is achieved because multiple redundant sites are used. In case of client computer crashes, almost no data are lost due to centralized storage into the multiple cloud resources. Thus well-designed cloud computing are suitable for business continuity and disaster recovery.
- ❑ *Improved security* is achieved due to centralization of data, increased security-focused resources, etc. In comparison with the traditional systems, cloud security is

better, because providers are able to devote more resources to solving security issues that many customers cannot afford. However, the complexity of security is greatly increased when data is distributed over a wider area or greater number of devices and in multi-tenant systems that are being shared by unrelated users. Private cloud installations are in part motivated by users' desire to retain control over the infrastructure and to avoid losing control of certain sensitive data or lack of security for stored kernels.

- ❑ *Improved efficiency and utilization* for under-used systems (only 10–20% often utilized). Increased *peak-load capacity* is achieved with no need to engineer for highest possible load-levels on the client side;
- ❑ *Constant performance monitoring.* Most of the consistent and loosely coupled architectures are implemented using web services as the system interface.
- ❑ *Maintenance* of cloud computing applications is easier, because they do not need to be installed on each user's computer. They are easier to support and to improve, as the changes reach the clients instantly.

In the Cloud Computing architectural stack Provider Side Management complexity is increasing to maximum while User Side Management complexity is decreasing to zero for Software as a Service (SaaS) layer (see Figure 2).

Figure 2. Traditional IT Architectural Stack vs. Cloud Computing 3-layered Architectural Stack



The next section will analyze and compare 3 main Cloud Computing providers (*Amazon Web Services*, *Microsoft Azure*, and *Google AppEngine*) from the point of view of scalability and high availability of the virtualized resources (i.e. *computation*, *storage*, and *networking*):

1. Computation model or VM (Virtual Machine):

Amazon Web Services	<ul style="list-style-type: none"> • x86 Instruction Set Architecture (ISA) via Xen VM • Computation elasticity allows scalability, but developer must build the machinery, or third party VAR such as RightScale must provide it
Microsoft Azure	<ul style="list-style-type: none"> • Microsoft Common Language Runtime (CLR) VM; common intermediate form executed in managed environment • Machines are provisioned based on declarative descriptions (e.g. which "roles" can be replicated); automatic load balancing
Google AppEngine	<ul style="list-style-type: none"> • Predefined application structure and framework; programmer-provided "handlers" written in Python, all persistent state stored in MegaStore (outside Python code) • Automatic scaling up and down of computation and storage;

2. Storage model:

Amazon Web Services	<ul style="list-style-type: none"> • Range of models from block store(EBS) to augmented key/blob store (SimpleDB) • Automatic scaling varies from no scaling or sharing (EBS) to fully automatic (SimpleDB, S3), depending on which model used • Consistency guarantees vary widely depending on which model used
Microsoft Azure	<ul style="list-style-type: none"> • SQL Data Services (restricted view of SQL Server) • Azure storage service
Google AppEngine	<ul style="list-style-type: none"> • MegaStore/BigTable

3. Networking model:

Amazon Web Services	<ul style="list-style-type: none"> • Declarative specification of IP level topology; internal placement details concealed • Security Groups enable restricting which nodes may communicate • Availability zones provide abstraction of independent network failure • Elastic IP addresses provide persistently routable network name
Microsoft Azure	<ul style="list-style-type: none"> • Automatic based on programmer's declarative descriptions of application components (roles)
Google AppEngine	<ul style="list-style-type: none"> • Fixed topology to accommodate 3-tier Web app structure • Scaling up and down is automatic and programmer invisible

In order to effectively respond to CRM systems demands, the emerging Private Cloud should feature important attributes like reliability of services, scalability, elasticity and metered-by-use self-service. The main technologies used to build the Private Cloud are shown in (Table 2) and (Figure 3).

Table 2. The main Microsoft technologies used in Private Cloud-based CRM systems

VIRTUALIZATION	➤	Windows Server Hyper-V
SELF-SERVICE	➤	Microsoft System Center Virtual Machine Manager Self Service Portal
MANAGEMENT	➤	Microsoft System Center
IDENTITY	➤	Windows Server Active Directory

Figure 3. The CRM system basic architecture using a Private Cloud Computing design.

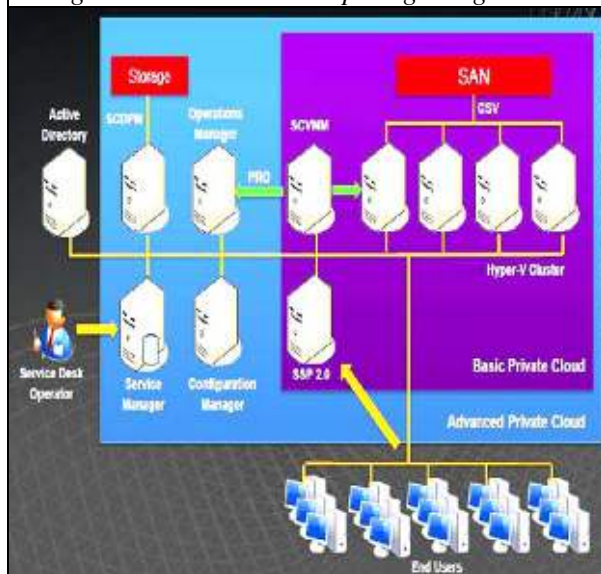


Table 3. Microsoft Virtualization Technologies used in Private Cloud Computing Architecture

Virtualization Technological Scope	
Basic Private Cloud	Advanced Private Cloud
Virtualization Server Hyper-V 2008 R2	Virtualization Server Hyper-V 2008 R2
Virtualization Management Tech Scope	
Basic Private Cloud	Advanced Private Cloud
SCVMM (System Center Virtual Machine Manager) 2008 R2	SCVMM (System Center Virtual Machine Manager) 2008 R2
SSP (Self Service Portal) 2.0	DDTK (Dynamic Datacenter ToolKit)
Advanced Management and Orchestration	
Basic Private Cloud	Advanced Private Cloud
	Configuration Manager
	Operations Manager
	Service Manager
	Data Protection Manager
	Opalis

2. Organizations Increased their Investment in CRM Cloud Computing Solutions

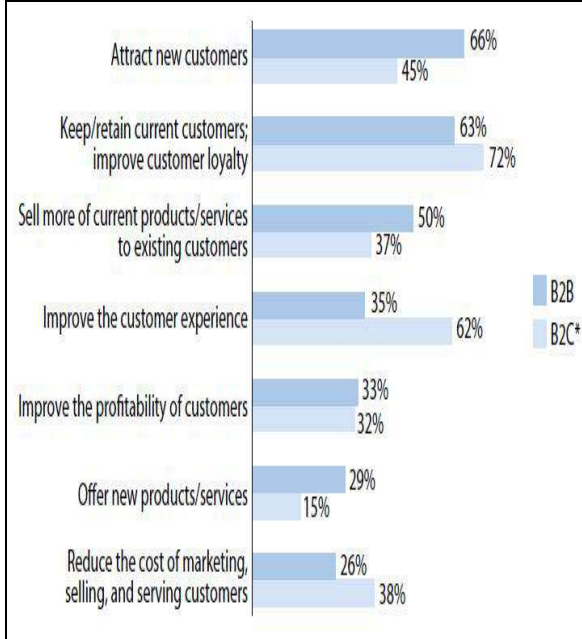
Although, the world economy plunged into a severe recession from which it is now slowly recovering, the fundamental business requirements for effective and efficient customer interaction management are increased.

The CRM system goals remain unchanged: acquiring new customers, building tighter bonds of loyalty, and reducing the costs of marketing, selling, and servicing (see Figure 4).

Both B2B and B2C enterprises are interested in the improvement of customer loyalty as their top goal. On contrary, while B2B companies intent on capturing new customers, the B2C companies try to improve the customer experience.

To support achievement of these important priorities, CRM Cloud Computing solutions are widely used by organizations of all sizes. Over 50% of the large and midsize organizations in North America and Europe have already implemented this solution and are investing more to upgrade their CRM systems.

Figure 4. CRM Cloud Computing System Goals

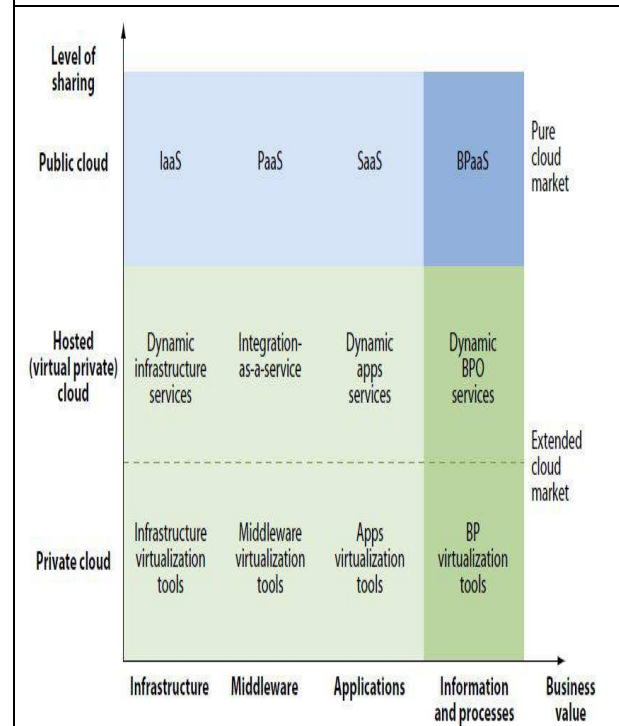


3. Cloud Computing Taxonomy within CRM Software Systems Market

Business-Process-as-a-Service (BPaaS) in the public cloud (see Figure 5). The outsourcing of people-centric services has taken place for many years under the label of business process outsourcing (BPO), a multibillion-dollar business annually. The event marketing and management services are such a business process in a highly shared mode. One example could be a company called *Meeting Expectations* which provides everything from the CRM system for online registration to the payment process to the staff who manages the on-site facility at an event. No customer has any contract beyond a single event, and the provider offers its business service to everybody publicly. This provides higher business value with human involvement than just a business process management (BPM) software system running in a public cloud environment.

Figure5. Full Cloud Computing Taxonomy within CRM Software Systems Market

Acronyms: IaaS (Infrastructure as a Service), PaaS (Platform as a Service), SaaS (Software as a Service), BPaaS (Business Process as a Service), and BPO (Business Process Outsourcing).



Cloud Computing provider diversity replaces single-vendor sourcing for users.

When a company is considering a CRM application as a subscription out of the cloud, it will follow no more a single vendor sourcing strategy or consolidation approach. Instead, it will embrace cloud orchestration, combining logic from internal systems with CRM or business intelligence (BI) application in the public cloud, for instance.

Cloud Computing providers focus on standardization of applications and platforms, not customization.

Cloud computing significantly disrupts vendors' practices as they convince even the most influential customers to live with standardized CRM application logic. For example, *salesforce.com* basically rejects extensions to its packaged application; instead, it has established a standardized platform where customers or independent software vendors (ISVs) can develop extensions. This keeps the core CRM

application on a high-growth, mainstream path.

4. Conclusions

The idea behind Cloud Computing is to deliver *Infrastructure as a Service (IaaS)*, *Platform as a Service (PaaS)*, and *Software as a Service (SaaS)* over the Internet on a scalable level, using an easy pay-per-use business model. The Cloud Computing technologies can be exploited to build the next generation of platform-independent tools and scalable data storage for CRM systems. This set of technologies can distribute applications across a wider set of devices and can make great reduction in the overall cost of computing.

The proposed Public and Private Cloud-based CRM system can improve business success and has a service oriented architecture that simplifies the management and increases the effective utilization of the cloud resources.

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Community Trade Mark – Strategic Marketing Instrument

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Abstract

A trade mark stands for a marketing tool through which products/services can be known by consumers. If we look around us everywhere and in all dimensions of our lives, we see that those trade marks that exert tremendous power over the "submissive" consumer are the ones which "reign". However, in order to maintain their power conferred by the trade mark, companies have understood the importance of defending and protecting the trade mark. Registering a trade mark is seen as a powerful legal "weapon" in the "war" led against its unauthorized use, which could lead to negative consequences for its holder such as: damage to business, reduced market share and reputation damage. [6]

There is also the chance that nothing happens if the trade mark is not registered, but the risks are enormous. Therefore, leading companies (and not only) can not afford such a thing.

Key words: trade mark, registration, protection, communication, success.

J.E.L. classification: M31

1. The significance of trade mark

The trade mark history is much older than the practice history or the marketing theory. Nevertheless, marketing specialists have noticed the importance of the trade mark for the success of the company even since the beginning of the 20th century. This way we can explain companies' intense efforts to create, maintain and improve the trade marks of products or services that they were producing or commercializing.

A trade mark can stand for a name, a term, a symbol, a design, or a combination of those

elements by means of which the producer or the marketer of a product/service is identified. [1] A trade mark also represents a marketing element of companies around the world which is used to customize the offer, to promote products and/or services on the national and international market, to differentiate from competitors' offer and to develop consumer behaviour towards brand. It is interesting to analyze the significance of trade mark to the consumer and the consequences/effects on the company's financial results as well as on the image or perception of the company.

A trade mark has an orientation effect on consumers, helping them to identify products they need and to certify a certain quality level. [2] It is considered that a product satisfies a need, while a brand offers something extra: quality guarantee and psychological satisfaction. The brand strength lies on influencing buyer decision due to the fact that it creates value for customers.

Lots of products have ensured their success by quality and performance. Beside these characteristics, companies have also created a certain 'image' of its product by using the trade mark. Quality, performance and trade mark are elements of international advantage which must be used carefully and distinctly on each and every foreign market.

The competitive advantage of trade mark is based on a characteristic, an attribute, or on a combination of characteristics of the product/service that the consumer appreciates to a greater extent by comparing the competitive offers. [2] Through an ongoing effort, companies aim to differentiate their trade marks from those of competitors by offering a product of higher quality at an acceptable price and value. At the same time, the company tries to identify other trade mark values that will be communicated to

their customers. Long-term success of the brands/companies in the world market depends largely on the popularity of the brand.

The popularity of the brand lies in the company's ability to recruit and retain customers, as well as to achieve a certain brand use. In other words, the popularity of the brand reflects the temporarily accumulation of acceptance by the market and the favourable attitude towards the brand. [2]

2. Community trade mark

Community trade mark stands for a sign which identifies and differentiates products and services of natural and legal persons from those of other persons and on which the holder has an exclusive right: it is valid throughout the European Union and it is registered at OHIM – Office for Harmonization in the Internal Market- (or Oficiul de Armonizare a Pietei Interne (OAPI), with its head office in Alicante – Spain), in accordance with regulations in the field. The community trade mark system stands for a system that is independent of the national systems of brand protection, the natural and legal persons being able to apply for national brand, community trade mark, or for both. [5]

Community trade mark has emerged as a consequence of achieving the objective of the European Economic Community (EEC), established by the Treaty of Rome in 1957 - to promote a harmonious development of economic activities among the member countries, removing economic barriers (tariff and non-tariff). Taking into consideration that the territoriality principle of protection represents an obstacle to free movement of goods within the European Community, and the fact that the national legislation of member countries of EEC had different legal aspects, a harmonization of member states' national laws on trade marks has been initiated.

In order to achieve a free market, the industrial property rights had to be harmonized at a communitarian level, and this has been accomplished for brands and design; the protection of these industrial properties' objectives being realized by using

a unique procedure which is valid on the entire European Union territory.

Since 1st April 1996, natural persons and corporate bodies have at their disposal a unique system to protect their businesses or ideas, which is implemented by the E.U. and governed by the Office of Harmonization in the Internal Market in Alicante. By registering the community trade mark, it is provided a unique title which ensures unitary protection across E.U. and which produces the same effects as a whole. [5]

3. Legal instruments that have created the community trade mark

Diplomatic conferences and intergovernmental meetings started even since 1960 aimed precisely to harmonize the national laws. Discussions and negotiations held for creating a community trade mark system was completed by two legal working instruments:

- 1) "Council Directive No. 89/104, to approximate the laws of the Member States relating to trade marks" introduced on 21st December 1988, provides the coexistence at European level of two trade marks protection systems as follow: (a) the national system governed by harmonized national legislations which are not identical; and (b) the community trade mark system. [5] To note that Directive 89/104 does not realize full harmonization of national legislation, but it limits to measures that are necessary for the proper function of the internal market. [6]
- 2) European Union Council Regulation no. 40/94 of 20th December 1993 on community trade mark, enforced on 15th March 1994. Thus, through a single procedure, trade marks become valid in all European Union Member States. The regulation must be understood as a supranational instrument by means of which one office records marks that produce effects across the E.U. (*6) It has been created an independent and autonomous organism – OHIM in Alicante, Spain – as an office for registering community trade marks of communitarian designs and patterns.

4. The relationship between community trade mark and national trade marks

A community trade mark stands for a tenure that can be exploited commercially by means of license, franchise, concession etc. all across the E.U., taking into consideration the requests along with all aspects of the internal market. [5]

Through the registration of the community trade mark, it is obtained a unique title which ensures unitary protection across E.U., producing the same effects. Therefore, the registration, the transfer or the abandonment of the trade mark will automatically affect all E.U. Member States, while decisions regarding the validity and the community trade mark rights will have a unitary effect.

It is necessary for companies to know that the community trade mark is neither mandatory, nor exclusive. Companies that are not asked about trade marks protection on the E.U. territory have the possibility to protect their marks nationally or internationally. Community trade mark does not replace the national brand or the international one, being an independent protection system. [6]

It should be also specified that community trade marks have effects on the new member states as well (including Romania), thus may occur conflicts with trade marks that have already been nationally registered, even before that particular state joined E.U. Trademark territoriality principle does not prevent the case in which a trade mark that is identical or similar both in terms of designation and protected products/services from being registered by different owners in different states. [5]

In case trade marks can not coexist for different reasons, the prohibition of use of the community trade mark may be established within the national territory or the court may request cancellation of the national trade mark; the solution to this conflict being based on trade marks' "seniority" principle.

The holder of a community trade mark who has an identical trade mark obtained nationally or internationally (through the Madrid System – a system administered by OMPI/OHIM) will be able to claim the seniority of that particular trade mark. We should note that both Paris Convention and

Madrid Convention allow simultaneous registration of trade marks in many countries. A trade mark seniority claim is affecting that when the national registration whose seniority has been requested and accepted is lapsing, it will not need to be renewed for maintaining the rights deriving from its registration. [5]

Another important aspect to mention is that any community trade mark that could not be registered just in some of the E.U. member states will be transformed into a national trade mark. The conversion procedure involves the need for the same application to be filed at national offices where there is no obstacle to registration, thus the application benefits from the deposit date of the community trade mark or of the national registration whose seniority has been claimed. [5] A possible obstacle that may arise in the registration of a community trade mark could be the existence of a prior right in one or more E.U. countries, or the aspect that in the respective country's language, a trade mark has a plus in the fact that it makes it be more descriptive about the products/services for which registration is required.

The national trade mark application resulting from the conversion of a community trade mark retains the same date of deposit and the same date of priority of the community trade mark. [6]

5. Aspects of the community trade mark registration and submission procedure

Both companies and interested persons should know that a community trade mark application can be registered in many ways:

- 1) using E-filing, sending request online by visiting www.oami.europa.eu;
- 2) directly at OHIM by post or fax;
- 3) at the national industrial property offices of E.U. member states (in the case of Romania, at the State Office for Inventions and Trademarks – SOIT(OSIM). OSIM deposition forwarded to OHIM involves payment of a specific shipping fee;
- 4) at the BOIP (Benelux Office for Intellectual Property). [5]

Any natural or legal person may file a community trade mark application if it meets one of the following conditions:

- 1) the applicant should have the nationality of a E.U. member state, of another state which is member of the Paris Convention or of the World Trade Organization;
- 2) the applicant should have his/her residence, head office or an effective and serious commercial and industrial enterprise on the E.U. territory, on the territory of a Paris Convention member state or O.M.C.

Even if the applicant does not meet any of these conditions, there is a possibility of obtaining a community trade mark registration if there is a reciprocal agreement between the applicant country and E.U. (for instance Taiwan). [5]

Any mark capable of graphical representation and that it can distinguish the products and/or services of a company from those of other companies can be registered as a community trade mark. [6]

Community trade marks may stand for signs such as: words, names and surnames, signatures, drawings, portraits, photos, letters, figures, colors or combinations of colors, the shape of the product or its package. Forms such as sounds and smells (when subject to a possible graphical representation) can also be registered trade mark. [6]

One should know that marks can be protected by means of the community trade mark as follows:

- 1) a mark which has been the subject of an application for registration to a national office in a country party to the Paris Convention or the WTO, if the two applications have the same applicant;
- 2) a mark that has been the subject of an international registration, regardless of the registration date, if the two applications have the same applicant;
- 3) a mark that has previously been the subject of an application for registration, if applications are submitted by applicants who reside in E.U. countries. [6]

The procedure for registration of a community trade mark application includes several stages: examination of application, publication of application, solution of possible oppositions and observations. [5]

The community trade mark application may be filed in one of the official E.U. languages, indicating a second language used in the "post-examination" procedures,

including for oppositions. The second language must be one of the five official EU languages (English, French, Italian, Spanish and German); languages in which all OHIM procedures are carried out. If the first language is not one of these, the applicant may authorize OHIM to use the second language on all correspondence regarding the application for registration. [5]

One should note that after the formal examination of submission for a community trade mark and the absolute grounds for refusal, OHIM carries out in its own community trade mark register and in some of the member states (those which showed their availability to do these researches) an anteriority research of a trade mark and prepares a research report in which it indicates to the applicant earlier trade marks that may be opposable. Anteriority research in the member states' registers has become optional since March 2008. [5]

Within one month of receiving the anteriority reports, the Office publishes the community trade mark application in the Community Trade Marks Bulletin, thus informing holders of trade marks or community requests applicants about a possible conflict between the published application and their trade mark. [5]

The Community Trade Marks Bulletin stands for an OHIM official publication and it is published in all official EU languages, only in electronic form; it can be found free on the internet at http://oami.eu.int/bulletin/ctm/ctm_bulletin_en.htm.

Any natural or legal person, as well as groups representing manufacturers, producers, service providers, traders or consumers, may within 3 months of the publication of the community trade mark application submit written observations to OHIM, stating the reasons why the trade mark should be refused when registering at the office (absolute grounds only). Third parties can enforce their prior rights in opposition proceedings within 3 months of the publication of the community trade mark application. [5]

The opposition can be based on a trade mark application or on an earlier registered trade mark. It can be national trade marks of EU member states, international trade marks, Benelux Office trade marks or notorious

ones. Any other earlier right of intellectual property protected in the EU allows the holder to make an opposition to an earlier trademark filed for registration. [6]

If the trade mark application meets the Community Trade Mark Regulation 40/94 and if no opposition was made within the legal term, or the opposition was not accepted, then the mark is registered and published as a community trade mark, involving the payment of registration fee within 2 months of communication. [5]

After receiving the registration fee the submitted trade mark is entered in the community trade mark register; afterwards the registered trade mark is published in the Community Trade Marks Bulletin and the applicant receives a certificate of registration.

The validity of a community trade mark is 10 years and it can be unlimitedly renewed for another 10 years if agreeing to the terms and paying the renewal fee. It is important to mention that modification of the trade mark within the registration or renewal procedure term can not be accomplished unless it does not substantially affect the trade mark. [5]

6. Conclusions

Nowadays it is more and more important for natural and legal persons to be aware not only of the advantages given by the community trade mark, but also of the legal aspects regarding both the stages in obtaining a community trade mark and its conditions of use.

One can get trade mark protection throughout the EU by means of a unique procedure which is easier and has a lower price as compared to the case when submitting the application in each member state. [5]

Any company which has a current or perspective interest to impose on the EU market should seriously set the problem of registration and protection of its own trade

mark, the more so as the businesses environment nowadays is very competitive and protecting its own interests is essential. Even if it seems at first that the financial efforts are useless and irrecoverable, the advantages of registering a trade mark are certain and one can benefit in the course of time.

Through the registration of a trade mark holders may prohibit third parties to use the trade mark without their approval. This way, the holders avoid that others would take advantage of investments that they made in promoting and increasing product quality; protecting their profits gained from the use of the mark; ensuring a reduced risk of trade mark "degeneration"; discouraging trade mark counterfeiting; creating the possibility of "accounting" its value and increasing trade mark value in case of concession licensing or sale of business.

By registering trade marks companies hold for certain that they have efficiently invested in the development of their business and have the legal possibility to defend their earlier gained rights.

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Conceptual Approach to Economic Efficiency Assessment of Finance Management System of Joint Stock Companies

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Abstract

The analysis of the concept of "economic efficiency assessment of finance management system of joint stock companies", as well as the analysis of the known assessment methods on the characteristic of financial activity have shown that the versatility of the issue being analyzed do not allow scientists to propose an optimal procedure for resolving it.

Key words: finance management efficiency, financial analysis, assessment methods, management system.

J.E.L. classification: G15

1. Introduction

On the one hand, the existence of a wide range of assessment methods regarding the economic efficiency of finance management system of joint stock companies denotes the fact that each of these methods provide a certain degree of implementation efficiency, and on the other hand, the high number of methods shows the fact that it lacks a systematic non-contradictory unique analysis. Although the basis of company financial analysis at present is represented by a set of standard vertical and horizontal coefficients and it is obvious that the methods for the assessment of the economic efficiency of finance management system of joint stock companies do not lack technical and systematic drawbacks, they also have a limited practical use.

Besides that, we want to emphasize the fact that the above mentioned methods do not offer an analysis of the sources of efficiency of finance management of joint stock companies. In order to eliminate this significant drawback, we propose an

improvement of the approach regarding the assessment of the efficiency of company finance management.

Many experts noticed the duality of the sources of the efficiency of joint stock company finance management. Reasoning upon the management efficiency at a theoretical level it was demonstrated that the particularity of company management consists of the fact that the achievement of management objectives is done both within the management system (the management subject) and within the managed object. This complex interaction of objectives within the management-production system requires examining the outcome of the activities of the two sub-systems – the ruler and the ruled. Each of these sub-systems has its own resources and one should take into account their efficient usage.

Speaking about the domain of finance, Stancu I. asserts that "The financial statement of an organization depends on the available resources, the financial structure, solvency, cash and the management's ability to adjust to the changes of the internal and external environment" [2]. Poloz A. [1] agrees with him: "The financial statement is provided both by objective characteristics of the field of activity and by the efficient organization of production, management and other components".

P. Cumz and M. Watson mention an obvious correlation between the management system of the company and its assessment by the participants on the securities market. "Therefore, in the US and Britain investors are willing to pay 18% more for the shares of companies that offer an efficient corporative management than for the shares of companies whose financial indices are similar, but the company management practice is less perfect. In Italy, a similar amount was 22%, in Indonesia – 27%".

In our opinion, regarding the assessment of the economic efficiency of finance management system of joint stock companies, there are two basic elements to be emphasized:

- 1) the assessment of the company's financial potential, seen as an opportunity to reach a certain level of the company's financial status;
- 2) the assessment of financial management efficiency.

2. Analysis of data

The traditional methods for complex assessment of efficiency of financial management of joint stock companies analyzed in the previous subchapter – ignore the existence of these two assessments as separate components. Therefore, they cannot determine if the change in the overall efficiency of the company financial management is conditioned by the efficiency increase in its financial service functionality. At the same time, in similar circumstances, such as the knowledge and abilities of financial managers, as well as their constituting the usage system of company financial management instruments and techniques, they determine the level of efficiency in the financial management system of joint stock companies.

Let us analyze the following function:

$$O^{(\phi)} = \mu_F + \mu_{FM} - u(\mu_F, \mu_{FM}) \quad (2.1)$$

Source: developed by the author

The financial potential in a certain sector of economy, from the perspective of a company in this sector, can be assessed according to the formula:

$$\mu_F = \mu(x_1, x_2, \dots, x_N) \quad (2.2)$$

Source: developed by the author

where x_1, x_2, \dots, x_N – values of the financial statement of other companies in the analyzed sector, calculated by the same method as parameter $I^{(\phi)}$, and $\mu(x_1, x_2, \dots, x_N)$ — the function that allows these calculations (for example, the weighted average function).

Parameter μ_F , calculated by this formula, may have both positive and negative values, depending on the significance of the assessment of the financial statement of the company in the analyzed sector.

The deviation of the actual assessment of the company financial statement from the financial potential depends on the efficiency of the corporate financial management and on the scale effect.

Parameter $u(\mu_F, \mu_{FM})$ within the formula (2.1) represents the value of the efficiency of corporate financial management of the company being examined. Recognizing the zero value as the state of absolute inefficiency, we will consider that $u(\mu_F, \mu_{FM})$ has only positive values.

The $u(\mu_F, \mu_{FM})$ function represents a correction component, that reflects in formula (2.1) the scale effect of the relations between the parameters of the financial potential of the company and of the efficiency of financial management, and is determined using the formula:

$$u(\mu_F, \mu_{FM}) = \sqrt{\frac{|\mu_F|}{\mu_{FM}}} \quad (2.3)$$

Source: developed by the author

If the economic sector is profitable enough or unprofitable (meaning that the value of the financial potential is high and corresponds to the absolute value), then the contribution of efficient management in modifying the financial statement of the company will not be essential. The same is also applicable for the case when, irrespective of the extent of the financial potential of the company, the weight of financial management efficiency is extremely low. And, on the contrary, the high efficiency of financial management allows a relatively easy management of the changes that occur in the financial system of the company.

The fulfillment of the conditions necessary for (2.3) formula is not difficult to verify, by analyzing the limits of the function $u(\mu_F, \mu_{FM})$.

Thus, if the efficiency of financial management is not high enough to overcome the scale effect, the actual financial statement of the company is more serious than its financial potential.

The function (2.1) has a number of specific properties. Thus, a extremely high or extremely low value of the financial statement of the company corresponds to some extremely high or extremely low value of the efficiency of financial potential and financial management of the company. In

this case, any increase of the financial management efficiency, in similar conditions, leads to the increase of the assessment of financial statement of the company. At the same time, the addition of the financial statement of the company towards the financial management efficiency, is subordinate to "returned value law", meaning to keep the financial potential of the company to a certain level, increasing the efficiency of financial management in the same extent, every time will lead to a slower increase of the financial status value.

The execution of these particularities is not difficult to verify at the limits analysis of the function $I^{(\phi)}$ and by analyzing the first and second derivates.

Thus, the function (2.1) represents a mathematical expression of the main relations between the financial status of the company, the efficiency of financial management and financial potential of the company in a sector of the economy.

Calculation regarding the financial statement of the company and its financial potency are more widespread in the practice of finance management, then efficiency calculations of financial management. Thus we will transform formula (2.1), by expressing μ_{FM} through $I^{(\phi)}$ and μ_F :

$$\left(\sqrt{\mu_{FM}}\right) + \left(\mu_F - I^{(\phi)}\right) \cdot \sqrt{\mu_F} - \sqrt{|\mu_F|} = 0. \quad (2.4)$$

Source: developed by the author

According to the Cardano decision, the actual radical of this cubic equation will be type:

$$\sqrt{\mu_{FM}} = \sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} + \sqrt{\frac{(\mu_F - I^{(\phi)})^3}{27} + \frac{|\mu_F|}{4}}} + \sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} - \sqrt{\frac{(\mu_F - I^{(\phi)})^3}{27} + \frac{|\mu_F|}{4}}},$$

$$\mu_{FM} = \left[\sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} + \sqrt{\frac{(\mu_F - I^{(\phi)})^3}{27} + \frac{|\mu_F|}{4}}} + \sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} - \sqrt{\frac{(\mu_F - I^{(\phi)})^3}{27} + \frac{|\mu_F|}{4}}} \right]^2 \quad (2.5)$$

Source: developed based on the Cardano decision

However, if the value μ_F is below 0, then:

$$\frac{(\mu_F - I^{(F)})^3}{27} + \frac{|\mu_F|}{4} < 0 \quad (2.6)$$

Source: developed by the author

and μ_{FM} will be expressed by a complex number. By correspondence, we will determine the final formula for the calculation of μ_{FM} as follows:

$$\mu_{FM} = \begin{cases} +\infty, & \text{pentru } Q \text{ complex} \\ \left[\sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} + Q} + \sqrt[3]{\frac{\sqrt{|\mu_F|}}{2} - Q} \right]^2 \end{cases}$$

$$\text{unde } Q = \sqrt{\frac{(\mu_F - I^{(\phi)})^3}{27} + \frac{|\mu_F|}{4}} \quad (2.7)$$

Source: developed by the author

Here, parameter Q represents the excess indicator of the actual financial statement of the company in comparison to its financial potential. If this excess is high then the marker is of + sign and it means that "the efficiency of financial management is fairly high".

The assessment of the efficiency of finance management system of joint stock companies proposed by (2.1) and the assessment of the efficiency of financial management (2.7), represents a common position towards the assessment of the efficiency of financial management of joint stock companies.

The assessment of efficiency by (2.1) formula excludes the identification of the efficiency of financial management system of joint stock companies as a whole and of the efficiency of financial management of organizations, which represents a key moment, determining the practical importance of this approach. This approach to the assessment of the economic efficiency of the financial management system of joint stock companies offers the possibility to identify the negative tendencies in financial management in advance. When the traditional assessment methods indicate an

increase of the management efficiency as a whole, this approach shows a possible negative dynamic of financial management.

3. Conclusions

In Romanian and international practice, the interest in assessing the efficiency of financial management of joint stock companies is manifested mainly by the contracting companies and financial managers who promote anti-crisis management. This is due to the fact that today, worldwide, bankruptcy cases, bankruptcy scandals as well as damages resulted because of bankruptcy reached an unprecedented level. Thus, the study undergone by specialists of World Bank indicated that in developed countries, officially during the first decade of the 21st century, an average of 1% out of the total companies reached bankruptcy, annually.

The need for an adequate assessment of corporate financial management is present in Romanian practice as well, because the financial statement of Romanian companies in the economic environment today, continues to be characterized as undergoing a crisis. According to official statistics, more than 56% of the autochthonous enterprises tend towards insolvency.

The complex analysis of the assessment basis of economic efficiency of financial management of joint stock companies should be conducted following two directions. The first direction is the analysis of approaches which will allow us to understand the essence of one of the most assessed characteristics of financial management of joint stock companies – management efficiency. The second direction is the analysis of the assessment of efficiency as a specific type of activity, after the quantitative assessment of this characteristic.

In many cases, the integral coefficient is proposed as main indicator for the assessment of the economic efficiency of corporate structures and which is made of individual components of the chosen indicator system. However, in our opinion, this eliminates the main difference of the narrow interpretations of efficiency.

The process of assessment methods regarding the economic efficiency of finance management system of joint stock companies

as a particular activity implies both technical difficulty and fundamental problems. The fundamental problems, which determine the development of approaches to the assessment of this characteristic of financial activity, refer to the following:

- 1) principle measurability of efficiency;
- 2) degradation of performance indicators;
- 3) extrapolation argument.

The issue of principle measurability or non-measurability of such characteristics as efficiency, is closely related to the capacities of human reason, the ability to formalize and measure different categories. The category apparatus allows the formation of structures included in the efficiency of company management, for example social and psychological costs, as well as of the performance of comparison and choice while lacking some clear criteria. But the evaluation of efficiency in such a broad interpretation, as well as the attempts to formalize the human reasoning process is extremely difficult.

Any assessment indicator regarding the efficiency is convenient to be applied only in the case when it allows the comparison of two objects from the point of view of their efficiency. Verifying any efficiency indicator is made by determining its capacity to destroy the efficiency levels (high level, low level).

For this it is necessary to observe a certain variation of this indicator, premeditated for a certain group of the researched objects. If the value of the selected indicator does not vary sufficiently from an object to the category of another object, then this indicator is not useful to undergo an assessment.

Nevertheless, the appropriate assessment of economic efficiency of financial management of joint stock companies does not seem to be unachievable. It can be achieved with a relative precision. Because the negative action of the fundamental factors, that influence the assessment of efficiency, cannot be eliminated, this influence has to be reduced to minimum, by developing some concrete methods for the assessment of the efficiency of financial management of joint stock companies.

Our interpretation, which considers the efficiency of financial management of joint stock companies as being the capacity of a company to reach and maintain a certain financial level by using the resources available for a certain period of time, allows us to equate the efficiency assessment

methods with assessment methods regarding the financial statement of a company. At the same time, various categories of methods, normally defined as "company bankruptcy forecast methods" should also be analyzed, because, in our opinion, these methods can also be included in the category of corporate financial statement assessment methods.

There were chosen as the objects of analysis both well known methods and new studies proposed by specialists for the assessment of the financial status of the company. A condition for constituting the methods for assessment of the economic efficiency of financial management of joint stock companies is represented by its complexity. Therefore, the category of methods analyzed can be reduced to the complex methods used for the assessment of the financial statement of a company, meaning those methods which characterize at least two of the four fundamental aspects of the financial statement of a company (profitability, turnover, cash, stability). Most of the methods of the complex analysis regarding the assessment of the financial statement represent formal methods, based on certain numeric algorithms. Then, all the formal methods used for the assessment of financial management efficiency of joint stock companies are made up according to one of these two aspects. According to the first aspect, the elements of the indicator system which forms the basis of assessment methods, contribute to the formation of an integral coefficient, and its values are used to perform the necessary assessments. Such methods (defined as integral methods) are the most widespread in practice.

In order to obtain an optimal variant of the comparative data analysis of the methods, we believe that calculations should be performed based on the data encompassing a group of companies; this group should comprise both companies on the verge of bankruptcy and companies that operate normally. Thus, if we consider the bankruptcy situation as a maximum inefficiency situation of financial management of joint stock companies, then

these calculations may indicate the applicability of these methods in assessing the efficiency of corporate financial efficiency. Nevertheless, the absence of statistic data regarding companies in Romania already under bankruptcy does not allow us to put this method in the autochthonous practice.

Methods based on assessment by rating may generally be considered satisfactory, while statistic, expert and cluster methods present unsatisfactory results in assessing financial management of joint stock companies.

Many experts note the duality of sources of financial management efficiency of joint stock companies. Reflecting upon the management efficiency at a theoretical level it was demonstrated that the particularities of company management consist of the fact that the achievement of the management objectives is done both within the management system (the management subject) as well as within the managed object.

This complex interaction of objectives within the management-production system requires examining the outcome of the activities of the two sub-systems – the ruler and the ruled. Each of these sub-systems has its own resources and one should take into account their efficient usage.

The assessment of the efficiency of finance management system of joint stock companies proposed by (2.1) and the assessment of the efficiency of financial management (2.7), represents a common position towards the assessment of the efficiency of financial management of joint stock companies.

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Evaluation of Existing Methods for Determination the Economic Efficiency of Management and Control of Joint Stock Companies' Finance

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Abstract

Content analysis of the concept of "effective" management of joint stock companies' finance" and examination of major issues related to the process evaluation of that characteristic of the company's financial activity, allows us to formulate requirements (conditions) for specific methods of assessing the economic efficiency finance management of joint stock companies.

Key words: economic efficiency, economic indicators, methods of assessment, management system.

J.E.L. classification: G15

1. Foreword

Principled conditions to any method of assessing the economic efficiency of financial management of joint stock company are related to its complexity (coverage of various aspects of finance companies) and minimize the negative influence of fundamental factors influencing the assessment of efficiency.

Elaboration methods usually reduces to the conditions of selecting items efficiency indicator system and identify relationships between them.

Generally, experts believe that the systems of indicators necessary for evaluation of their efficiency and integral coefficients must be designed based on these systems and meet the following conditions:

- optimal number of indicators;
- content;
- stability.

Provided the optimal number of indicators include requirements for volume and their sufficiency. On the one hand, the system chosen by indicators should fully characterize the subject choose by evaluation - economic efficiency of financial management of joint stock company. On the other hand, the number of indicators organized in the system should not be too large because otherwise natural boundaries of assimilation of information will be depleted and so the information will be lost.

2. Analysis of data

The possibility of extrapolation is characteristic for most integration methods which are based on statistical methods. Conclusions based on the results of the financial statement made by these methods, often refers to a certain future horizon. For example, according to the methods no. 2, 4, 5, depending on calculations of entirely coefficient towards value criteria to determine whether the probability of bankruptcy of the company will be high or low in the next few years.

The main object of criticism integral methods based on statistical methods is their instability. Management science specialists stated that established methods using multiple discriminant analysis are unstable in time and space. Comparison of the data received from several countries shows that the share link Z and threshold interval $[Z_b, Z_2]$ are very different not only from country to country but from year to year within a country.

Integral methods based on statistical methods are not protected from possible manipulation of indicators that are used in

these methods. If the situation remains relatively stable (i.e. criteria values do not vary greatly from one period to another), degradation indicators in these models, it is very probable. On the other hand, as already indicated, destabilizing the situation in the economy leads to degradation method.

Moreover, some scholars have questioned the methodological arguments of the method of E. Altman, and other analog methods: regression methods of E. Altman cannot make a reliable estimate of the financial position of various companies, firms because of the restricted of their application.

These methods are appropriate and applicable only to those companies whose financial indicators were included in all statistical methods for calculating the coefficients.

The second group of methods is the methods based on full type rating.

In the classical approach, benchmarking rating is a distance between the financial situation of analysis companies and the reference financial situation. So, the lower the appreciation by rating, the more effective is the company's financial management. But in some ways based on ratings, established norms of indicators and integrated indicator calculated based on them, is the basis of a simple comparisons without making an analogy with the calculation interval.

Making analogies with intervals, shows that conditions on the content are made within these methods.

Since the methods based on assessment ratings operates with benchmarking, which takes values from a standard interval (0.1), then stability of methods is preserved in time.

Even significant changes in the external economic environment (for example, a situation of economic crisis in the country) appear, does not distort financial management effectiveness evaluations of joint stock company within the selected group of companies. Both evaluations until and after the crisis based on the rating assessment methods, characterize the comparative position of companies on a sample of companies (for example, branch or region) in terms of efficiency of financial management of joint stock companies.

Accordingly, the issue of stability in the space industry or stability for this type of methods does not arise at all. Evaluation of

the efficiency of this method is always done in a particular sample of companies and comparing the results received under this sample, with the sample results received from other companies, is only possible if a unification of these two samples is done.

Assessment methods based on the ratings are less prone to degradation indicators. It is not possible to determine exactly how much needs to be distorted indicators of a company as evaluating the effectiveness of its financial management to meet the conditions provided, taking into account the fact that this evaluation is determined based on the multiple values of the indicators of other companies included in the analysis.

Solving the optimal number of indicators using methods of evaluation by rating is not performed by applying the algorithm, as in methods based on statistical methods. Therefore, some methods contain a greater number of indicators (20 indicators each). However this problem can be easily solved by using special methods in the screening stage of indicators. For example, a variant of solving this problem would be the analysis of coefficients components using a statistical method.

This method allows you to select from a full set of indicators those whose correlation is relatively low. As a result, their number is reduced without losing significant information about the studied phenomenon.

If as evaluation indicators are chosen static characteristics of a company's financial situation, then inside the group of analysis methods there are not sufficient foundation for extrapolation the assessing efficiency, because these predictions also requires making assumptions about changes in financial position of other companies in the sample. However, if instead of static characteristics will use the dynamic ones (e.g. growth rate indicators) in this case will be also analyzed the key indicators trends of other companies in the sample evaluated, and the extrapolation will be more motivated.

This assessment is an effective tool for measuring the company competitiveness growth in its field of activity.

However, the algorithm itself to develop the methods based on the evaluation rating has many methodological shortcomings.

The main objection is that not all the indicators used to assess various aspects of the financial situation of the company satisfy the conditions "the more the better" or "the less the better."

Thus, for example, a high value of the coefficient of liquidity may indicate the inefficiency of financial management of the company because of the excessive amount of financial resources that are not involved in creating added value. But, according to the rating assessment method, maximum liquidity coefficient is chosen as the standard.

In addition, it is theoretically possible a situation when, after the results of the election standard values will be obtained a standard conventional company whose existence is essentially impossible. In other words, will not be able to develop such a balance sheet and profit and loss report, that all indicators of method to receive the standard values.

This specific approach to comparative analysis of financial indicators will be unreasonable in terms of economics.

Expert methods of evaluating the effectiveness of financial management of joint stock companies are used to determine the weighting coefficients, whose calculation indicators are part of the integral coefficients. Expert evaluation methods can be also used to identify criteria for the indicators values often used in cluster methods.

In our opinion, using the expert methods of integral type, methodological is without perspective, which results from the specific of groups of experts.

As mentioned in the literature, "experts can usually compare objects or projects in general, but cannot identify the contribution of different factors" [1]. Thus, the reliability and validity of information on the effectiveness of financial management limited liability companies is questionable.

Integral coefficient of expert methods can not be interpreted otherwise than only by qualitative indicators of the financial situation of the company, but shown from the broad definition of "economic interpretation" the conditions about the content are fulfilled. The condition on the optimal number of indicators can be done using statistical methods mentioned above.

Expert evaluation method stability is not ensured. Building expert methods of evaluating the effectiveness involves the establishing of specific tasks for an expert group (for example, setting the parameters of time, region, sector affiliation). We cannot take into account the results received from using this method for the formulation of other tasks. If formulated tasks are generally, then the argument for applying this method is questioned because of the narrow qualifications of the experts, since the evaluated field is very vast.

Similar arguments can be presented as a critical reasoning to argument the extrapolation within expert evaluation methods.

The most acute problem in expert evaluation methods is the degradation of indicators. You can already make mistakes at the stage of training the weights in the formula of full coefficient.

The last two groups of integral type methods is a new current in financial analysis and are the base of non-trivial mathematical theories.

Application of fuzzy sets methods in financial management results from statistical methods and expert criticism. For the scientific establishment of efficiency assessment methods based on statistical methods is necessary to have a statistical homogeneity in the studied group of companies. Application of expert methods is not possible because of the human thought specificity: experts find it difficult to make numerical estimates, while the distribution of the assessed objects can be measured relatively easily.

These two problems in fuzzy sets methods are eliminated by introducing the concepts of "quasi-homogeneous" and "quasi-statistics" and transition to operations with fuzzy classifiers. This allows the formulation of expert assessments, by expressing their qualitative rather than quantitative ("good", "less significant", etc.).

Establishment method based on fuzzy sets method is the following algorithm:

- 1) it forms a system of indicators, to form a hierarchy of indicators-factors of the company's financial situation;
- 2) it is developing the histograms of indicators values selected for the companies part of analyzed group;

- 3) it determines the linguistic classification parameters of the indicators values. The optimum would be split into five classes of stock level indicators - 'very low', 'low', 'medium', 'high' and 'very high';
- 4) moving up from the histogram of indicators values to fuzzy classifiers indicated by the linguistic classification;
- 5) in accordance with the rules determined by the operations with fuzzy sets, is recognized the quality level of the values of some indicators and the assessment of the financial condition of the company as a whole.

Histogram analysis, as the hierarchy of indicators used, ensures the necessary condition on the optimal number of indicators. Developing the factorial model of the financial situation of the company, and the obtaining the qualitative characteristics, ensure the necessary conditions on the content integrated indicator. Methods based on fuzzy sets methods are prone to degradation indicators due to a complicated mathematical tool, which underlies their.

The possibility of extrapolation inside this method cannot be considered fully substantiated. However, in choosing forecasts interval while the main basic parameters of macroeconomic environment are considered relatively stable, the analyzed companies retain their quasi-homogeneity.

The fact that full evaluation of the effectiveness of financial management of joint stock companies inside this method is not based on quantitative characteristics, but of quality, ensuring the stability of these methods over time. The situation regarding the spatial and inter-sectoral stability is similar to the rating assessment methods: each of these methods applies only to companies from a single branch and / or region included in the quasi-statistical.

Integrated assessment method was developed to perform a comprehensive assessment of quality based on the selection of optimal alternatives as Pareto principle, the proposed system of axioms. The basis of this method is the concept of assessing the difficulty of achieving that goal, if is known the quality and quality conditions of necessary resources to achieve this objective. Characteristic of this method to evaluate the effectiveness of financial management of

joint stock companies as an objective serves the absolute financial stability of the company and quality of resources and conditions that are treated as normal quality and affordable financial statements comply with the indices.

It can be said that this method, to some extent, resembles the rating valuation methods - especially in terms of standardization of indicators based on data values companies included in the analysis - proceeding from this that all the advantages of the rating assessment methods are inherent on this method. Meanwhile, in this method, the term "company-standard" is not present, which leads to removal of shortcomings in evaluation methods by rating the above mentioned.

The second type of formal methods is cluster method (method no. 1). These methods meet two conditions - the content indicators (clusters are used to the quality) and the existence of an optimal number of indicators (to be done by using statistical methods). The other conditions are not met or complied smaller. Here, the main factor is the method by which it determines the criteria by which a company is assigned to a cluster or another.

If the ranges of values of indicators were determined based on statistical surveys of selecting the company, then cluster methods are assigned the same critical objections as for statistical methods[2]. If criterial values were determined by means of experts, than such cluster methods fall under the critical expert evaluation methods. Finally, the next group of methods determined by us is informal methods. In our opinion, they practically do not provide reliable information on the economic efficiency of financial management of the analyzed company.

They are similar to expert evaluation methods, with one difference - they do not operate with financial indicators. In this method does not consider by experts weighting coefficients or criterial values of indicators, but the financial situation of the company as a whole. In the absence of objective data from company reports, informal methods do not allow us to judge about the stability or validity of extrapolating results. Lack of information can lead to

distortions in reporting results in the interest of evaluating the effectiveness of company.

Thus, informal methods are heuristic procedures. They can simplify and / or narrow your search alternatives of finance management decisions. Their use is possible at different stages of financial analysis, but cannot substitute the formal methods based on accounting information.

3. Conclusions

In conclusion, the analysis of whole type of formal methods is presented in Table1.1.

Table 1.1. Evaluation of formal methods for determining the economic efficiency of financial management of joint stock company

Conditions for the establishment of methods	Methods for assessing the efficiency					Cluster
	Integrals					
	Statistics data	of Rating	Expert	fuzzy type	Assessment of difficulties	
Minimizing the influence of degradation indicators	■	±±	—	+	+	-
Extrapolation argument	+	±	—	±	±	—
Optimal number of indicators	+	±	±	±	±	±
Content indicators	+	+	+	+	+	+
Stability method	—	+	—	+	+	—

Source: prepared by author

„+” – conditions are fully realized,
„±” – conditions is achieved with some limits,
„-” conditions is not achieved.

The conditions relating to minimize the influence of degradation indicators, efficiency arguments extrapolation parameters, the optimal number of indicators, their content and methods for assessing the stability of financial management efficiency of the company stock, are best observed by fuzzy methods. These conditions are also reflected in the methods based on assessment difficulties. Methods based on the evaluation by ratings, can be considered generally satisfactory and statistical methods, expert and cluster shows unsatisfactory results in the evaluation of financial management of company stock.

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The Knowledge Stage of Economy based on Knowledge

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Abstract

In this paper were approached the references and the evolution in time of knowledge based economy. Changes occurred in the second half of the twentieth century led the economic analysts to put the continuous growth rates of savings on the account of new factor of production, the knowledge. The ability to taking advantage of the knowledge acquired is decisive and will be defining in the economic success.

The knowledge shapes are various: a new manufacturing technology, a superior organization of whole activity (development of management knowledge), improvements in psychological field, new applications of the border studies, and what is essential, the rarity is not a feature of knowledge.

Key words: economy, knowledge, information

J.E.L. classification: D8

1. Introduction

Knowledge based economy describes a change in economic structures and operates in all sectors. The ability to generate process and store information large flows represents the condition of development the new economy.

The meeting of Heads of State and Government at Lisbon in 2000 established a European strategy to transform the EU into acknowledge-based economic area, the most dynamic and competitive in the world capable of sustainable economic growth with more and better employment jobs.

A study published in 2002 inference: "the weakness or even complete absence of definition is actually pervasive in the literature... this is one of the many imprecisions that make the notion of the knowledge economy so rhetorical rather than

useful" (Smith, Kevin, What is the Knowledge Economy? Knowledge Intensity and Distributed Knowledge Bases, Institute for New technologies Discussion Paper 2002/6, the UN University, June 2002.

2. Evolution of knowledge based economy concept

The changes in recent decades occurred in the new economy leaves a place increasingly lower to the old economy. These changes occurred in the late twentieth century led to the transition from industrial age to the post industrial, to knowledge based economy. This was the moment when economic analysts have noticed that economic continuous growth rates of western economies could not be explained anymore in terms of traditional economic factors such as land, labor and capital. The role played by knowledge in economic growth has no novelty.

Schumpeter was the first to recognize the importance of knowledge in the economy by sending it to "new combinations of knowledge" in the centre of innovation and entrepreneurship (Schumpeter, 1911, p. 57). Schumpeter also considers economic dynamic requires constant innovation and volatility, the idea being followed by other scholars such as Galbraith, Goodwin and Hirschman. Knowledge-based economy has gradually replaced industrial society, which is far from disappearing of the "industry". In the new economy, "industry" will dress other shapes, is about an automated and robotic industry, a cyber industry, a computerized industry.

Changing the rules of business and competitiveness are the result of vectors development such as: insuring access to information and knowledge,

developing human capacity through education, training and formation, creation of a favorable environment for development, including the legal framework and improving security information to a global level and to communication networks.

The concept of knowledge-based economy is the result of pioneering work of Fritz Machlup. He was the first to measure knowledge, his work being published in 1962 and the calculations lead a whole literature on knowledge-based economy.

Machlup was classifying knowledge production in six major areas: education, research and development, creative arts, media communications, information services and information technology. He took into account the greatest importance in the GDP sectors and employment in the economy, and predicted that this percentage was intended to grow both absolutely and relatively over time.

Creating the OECD in 1961 was providing a framework within governments could compare their political experience, to seek answers to common problems, identify good practice and coordinate domestic and international policies. This led in 1963 to the birth of the Frascati Manual parameters

which were monitored statistical of science and technology on a comparable basis. Until developing Frascati's Manual, the methodology used in statistics was not a unanimous and so did not allowed

comparisons between countries. The manual has provided internationally accepted definitions for classification of

activities and components of development and research. These are updated periodically by Eurostat and Eurobarometer and placed at the reach of researchers, evaluators

and statisticians.

As a result of initiatives OECD, UNESCO, European Union and various regional organizations, Frascati's Manual became a standard for statistical surveys on research and development activity of the world.

OECD defines knowledge-based economy as: "The knowledge based economy is expression coined year trends in Advanced Economies to DESCRIBE

Towards Greater dependence on knowledge, information and high skill levels, and the Increasing Need for ready access to all of tissue by the business and public Sectors".

Drucker theorizes the concept of knowledge-based economy, describing the difference between manual (line) workers and the knowledge worker: a manual worker uses his hands to produce "things", and a knowledge worker uses his intelligence to produce ideas, knowledge and information.

Knowledge economy or knowledge economy is a concept that refers to the use of knowledge to produce benefits (The Age of Discontinuity, 1969). He believes that education and knowledge are productive assets of a business, as they can be the most valuable primary elements in making a product or service.

Knowledge has been defined for a long period of time by limiting the skills of the workforce. Today we know that the knowledge society is a broader concept than research and development, covering all aspects of modern economy in which knowledge is essentially the creation of added value.

"The idea of the knowledge driven economy is not just a description of high tech industries. It describes a set of new sources of competitive advantage which can apply to all sectors, all companies and all regions, from agriculture and retailing to software and biotechnology" (New measures for the New Economy, report by Charles Leadbeater, June 1999).

To understand the profound changes that led to the knowledge-based economy, it is necessary to analyse the evolution of technological and economic systems.

On the history of human society, we find that there are certain thresholds of development that led the society thresholds higher planes of existence. These thresholds have been named by the specialists, revolutions. Switching from manual labor to mechanized work gave birth to the first scientific and technical revolution, called the "first industrial revolution". This was another huge leap in the development of productive forces and the final victory meant the capitalist

production relations. Automation and computer technology have led to the second scientific and technical revolution.

Computer and information technologies have become true symbols of the "second industrial revolution". They have become catalysts of other "new technologies" - microbiology, energy, materials, communications, etc.

Identifying knowledge and information as development resources have led to familiarity with the phenomena underlying the knowledge economy. The result is the knowledge revolution on knowledge-based economy. This last stage was marked by struggles in technological innovations and the need for globally competitive innovation with new products and processes that develop from the research community (eg, R & D factors, universities, laboratories, educational institutions).

3. Features of knowledge based economy

Called "digital or computerized economy", "information economy", "electronic economy", "global economy", "economy of networks or communications", the new economy has several specific features:

- 1) Dominance of theoretical knowledge as a result of social space computerization;
- 2) The foundation of economic activities on intangible values;
- 3) Human resources will effectively dominate, unlimited, for a pragmatic development of centers of stimulation and motivation of individual and collective intelligence;
- 4) Creative work takes the place of routine work;
- 5) Firms ensure their development through continue innovation and assimilation of the newness.
- 6) Decisional decentralization, destandardization of work procedures, informalization the organizational relations, increasing the share of informal communication will represent the organizational frame, being able to provide creativity, responsiveness and flexibility of business organizations;

7) Expanded information systems on a global scale.

Specialists' opinions concerning the definition of knowledge-based economy still vary between very wide limits, from one specialist to another. Specialist Thomas Stewart approaches the knowledge based economy, naming itself and without using the new economy term. Therefore, he says (Stewart, 1998, pp. 12-14) that "knowledge-based economy takes into consideration the money, in the context of purchasing, production, and sales knowledge". Carl Dahlman, the manager of Knowledge for Development Program of the World Bank Institute believes that specific strategies are necessary to meet the four pillars of knowledge-based economy:

- An institutional framework that promotes economic and efficient use of knowledge
- A population educated and equipped to create and use knowledge;
- A dynamic information infrastructure;
- An effective innovation system within firms and research centers that can satisfy new needs of the people.

Paul David and Dominique Foray (2003) identify a series of factors that in their opinion led to the knowledge based society:

- Acceleration of knowledge production;
- Increasing the share of intangible capital to micro and macro level;
- Innovation has become a dominant activity and its sources, increasingly diverse;
- The revolution of knowledge use tools.

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5. Conclusions

"A Knowledge Economy is the economy in which production and use of knowledge has a dominant place in creating the wealth of the members of society" (Department of Industry and Commerce of Great Britain since 1998). The evolution from the economy based predominantly on physical resources to the economy where knowledge has the most important place represents the knowledge-based economy. This change led to major changes such as industrial revolutions.

In the future the economic successes will be based on production, access and use knowledge. "New economy requires a rethinking of the theory of production factors. Knowing becomes the essential component of the economic and social contemporary development system. Dissemination of innovation and leading technology convergence will play a key role in accelerating the importance of knowledge in the context of globalization". (Drucker).

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Reflections and Suggestions on Science and Technology Park “Tehnopolis” from Iasi. Solutions for Economic Development

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Abstract

The importance of scientific and/or technological parks, as well as their anchoring in solving regional problems, comes from the emphasis on their regional dimension, on the practical application of the research, development, innovation policy. Although scientific and technological parks are a convenient solution for Romania's economic growth, however, their potential to induce economic growth is neglected by the authorities. We stop on one of the materializations out of European research, development, innovation policy in Iasi, namely on the Science and Technology Park Iasi - Tehnopolis. Science and Technology Park "Tehnopolis" is a true regional, urban portrait of Iasi, capturing the development of Iasi, divided between the research and development side, represented by the academic environment from Iasi and developed accordingly, and technological and industrial innovation, hardly representative and represented.

Key words: scientific, technological, park, development, Tehnopolis

J.E.L. classification: K20, O10, O30, O32, O38

1. Motivation

To the economic growth and degree of modernization of a country, generally, of Romania, in particular, contributes the existence and operation of research parks, scientific and/or technological. The importance of these parks, as well as their anchoring in solving regional problems comes from the emphasis on their regional dimension, on the practical application of the research, development, innovation policy and

on European cohesion policy. The involvement of local factors, of prestigious institutions of higher education, the emphasis on public-private partnership emphasizes the role of these structures that are designed to promote economic growth by innovative development, therefore, in the European official documents they are assigned the name of "poles of innovation" [1].

Scientific and technological parks are part of the latest innovative policy ideas. We know that the innovative, research and development policy in Romania implies the existence of certain companies and of a competitive environment, of an effective educational system, of research universities focused on research, of a strong legal system, focused on the property rights in general, on intellectual property rights in particular. A special place in all this mechanism is occupied by scientific and technological parks. The legislative concern in Romania, to develop the legal framework for this type of parks, is grafted on the existing legislation on industrial parks.

Although scientific and technological parks are a convenient solution for Romania's economic growth, however, their potential to induce economic growth is neglected by the authorities. We currently have only four scientific and technological parks allowed to operate in Romania, namely: Science and Technology Park – Software Park Galati, Science and Technology Park for Micro and Nanotechnologies - MINATECH-Ro in Bucharest, Scientific and Technological Park - Tim Science Park Timisoara and Science and Technology Park "Tehnopolis" of Iasi.

Their location highlights the practical concern for their development within cities - important county residences in the country - where they held various important cultural and economic activities, and which there are also, in addition, acknowledged universities.

We think that the science and technology park is a type of institution shaped to allow the development of research and technology and know-how transfer, thus inducing regional economic growth and, subsequently, national, based on an economic strategy based on the right property in general. Once established, the science and technology park is an important infrastructure element and also indispensable for the development of innovative, research and development policies focused on results, thus able to induce economic growth. Such a park is, in fact, a way of balancing the balance between innovation and market, starting from the need to convert new knowledge into new products.

2. The applicable legislative framework applicable

We note the concern at European level to strengthen the legislative framework for technology, industrial and scientific parks motivated by the Notification of the Economic and Social Committee on European technology, industrial and research parks in the context of crisis management, of preparation of the post-crisis period and of post-Lisbon Strategy (2011 / C 44/22), similar to the one in 2005.

Laws applicable to science and technology parks in Romania are limited to the following regulations: Government Ordinance no. 14/2002 regarding the creation and establishment of scientific and technological parks and Law no. 50/2003 for approval of Government Ordinance no. 14/2002, plus the Order of the Ministry of Education, Research and Youth no. 5442/2003, which approved the certification, suspension and cancellation methodology of the operating permit of science and technology park, and the procedure for admission to the park of economic operators.

Admission to park is made in compliance with Annex 2 of the Order of the Ministry of Education and Research no. 3589 of 2002 on the approval of the periodic authorization and reconfirmation methodology of science and technology parks and of the procedure for admission in the science and technology parks of operators.

We note that the legislation in the field of science and technology parks is not exhaustive, leaving room for further

regulation, but also to multiple interpretations. Moreover, the absence of legal provisions to encourage the creation of such parks, by various tax facilities makes their establishment to be, just as in case of the industrial parks, "ineffective and practically useless." [2]

3. Science and Technology Park – Tehnopolis-Iasi. Case study

We stop on one of the materializations out of European research, development, innovation policy in Romania, in general, in Iasi, in particular, namely on the Science and Technology Park Iasi - Tehnopolis.

Achieved on the basis of a project co-financed by Phare 2000 program, up to 6,353,220 Euro, Science and Technology Park Iasi - Tehnopolis, involved a number of ineligible costs (consisting of land price, the cost of feasibility studies) in the amount of 1,277,295 , 36 euro, supported by the City Council Iasi and the County Council Iasi, namely by the main associates of the Park. The other associates of the Park contributed with smaller amounts, but also with know-how, given their quality: the Agronomy University "Ion Ionescu de la Brad" Iasi, "Al. I. Cuza" University; Technical University "Gh Asachi" from Iasi, University of Medicine "Gr T. Popa" Iasi.

The activity of Tehnopolis focuses on areas such as: research and development; business incubator; attracting investments; European Enterprise Network-information center; organization of symposia, conferences, seminars, work-shops; general and special services.

The park macro-structure is focused on four major segments / groups: business incubator, the group of SMEs, large enterprises group and the services group.

Using the data collected from the documents studied and interviews taken, we synthesize the state of facts and the one proposed as follows:

Table 1. Proposed indicators for TehnopolIS

No	Proposed indicators	Until 2012	Results
1.	Land area occupied	12 ha	5 ha
2.	Occupied build area	15.000 m.p.	8.000 m.p.
3.	Number of tenant firms	200	22
4.	Involvement in research activities by establishing research laboratories	7	3
5.	Organization of training modules on project management or specialized areas	Yes	No
6.	Giving expert advice on specific areas of the park	Yes	No
7.	Establishment of a liaison office with industry	Yes	No
8.	Organizing workshops on activities developed by the park	Yes	No
9.	Macro-structure of the park is focused on four major segments / groups: business incubator, the group of SMEs, the group of large enterprises and the services group	Business incubator the group of SMEs, the group of large enterprises and the services group	Partial: Business incubator, the group of SMEs, and the services group
10.	Number of companies in the business incubator	18	7
11.	Start-up companies	18	7
12.	SMEs group	15	14
13.	Group of large enterprises	10	0
14.	Group of services	100%	20%
15.	Model of the knowledge-based society	Model of the service-based society	Model of the service-based society

Source: Feasibility plan for TEhnopolIS

4. Recommendations

Based on the data collected and presented above, we present, below, a few recommendations:

4.1. The idea of a science and technology park was folded on the characteristics of Iasi area, in terms of its development. The original plan was largely respected. However, there are a number of problems identified, consisting of small degree of local economic

benefits, but also of political interference in the management of the park which have to be corrected.

4.2. The advantages of Iasi have been exploited, respectively the proximity to universities well-known not only in Moldova region, but throughout Romania, likely to stimulate regional economic growth, generally, Iasi, in particular. The concentration of universities and research centers in Iasi is considerable. Three of the ten best universities in Romania are in Iasi and are partners of the Tehnopolis Park: University of "Alexandru Ioan Cuza" from Iasi, Technical University Gheorghe Asachi from Iasi, University of Medicine and Pharmacy "Gr.T. Popa" from Iasi.

4.3. The role of Science and Technology Park "Tehnopolis" Iasi is that of a business incubator designed to nurture the very creation and development of start-up companies, of small and medium companies, facilitating the knowledge transfer of know-how from universities to Park residents, stimulating practically the development of new products and services. Focused on applied research, Tehnopolis also focuses on production capabilities in the Park or in the immediate vicinity.

Although it has the necessary potential to induce economic regional growth through innovation, Science and Technology Park Tehnopolis from Iasi meets this objective only partially. Although the park's role is to maintain its residents and to develop, moving from the initial stage of business incubation of a company in its incubator, to an intermediate phase, the hatching of incubated business in a SMEs and then, in a last phase of a business that would fit the group of large enterprises, the results are modest. Only one company had been in the park incubator for three years, after which they turned into SMEs, and another functioned as start-up business in the incubator, after three years turning into a SMEs, when they relocated the business. So, Tehnopolis Park lacks attractiveness needed to develop and maintain its residents.

Another drawback of the park comes from the fact that it fails to monitor tenant companies of the park once out of it, in the sense to find out whether they continue to operate, weather they remain within the scope

of the activity they had at the time of their inclusion in the park.

4.4. Undoubtedly we have to observe the shortcomings that the Science and Technology Park has while performing its activity, namely: the location of Iasi in Romania, Romania's EU position, Romania's image abroad very little improved. All these are likely to reduce the chances of Iasi Park of attracting investment capital.

On the other hand, the Science and Technology Park Tehnopolis in Iasi does not value existing strengths: cheap labor, good professional and cultural training of young professionals trained at the Universities of Iasi. In addition, the lack of promotion of the Science and Technology Park "Tehnopolis" makes its existence almost unknown in Iasi.

4.5. It is obvious that the cosmopolitan appearance of the Park Tehnopolis, the rooms for rent, the beautiful sites, the park facilities are important. But all this is not an end in itself, but are just ways to achieve the purpose for which the scientific and technological park was built - to induce regional growth through innovation. In addition, the park has to offer those essential facilities, that the company would not be able to provide by operating elsewhere. Otherwise, the park's role becomes superfluous.

4.6. It is imperative to improve Park Tehnopolis management, putting up a better strategy to attract innovative companies that could take over one of the marketplace segments. Attracting innovative firms is needed to reduce unemployment in Iasi. From this new perspective, we consider that the replacement of the Science and Technology Park "Tehnopolis" manager is a solution that must be considered to improve the performance that the Park has the capacity to develop.

At this time the management duties of the Park belong to the company with limited liability Tehnopolis. From the data provided by the National Trade Register Office it results that the associates of S.C. Tehnopolis S.R.L. are Iasi County Council, the Local Municipal Council from Iasi, specifically two of the park associates. Overlapping the two qualities of the Local Municipal Council from Iasi and of the County Council from Iasi City regarding their quality of associates of the Park, but at the

same time, of associates of the company that manages the park, we think that this is not an advantageous situation for Tehnopolis. Political differences between counselors are reflected in the Park management, which produces losses, as well as in the way of understanding of the issues raised by the park. For example, we will remind you that three new cases, covering various legal proceedings to annul decisions taken in the Park, put pressure on the instances from Iasi, especially on Iasi Court. It is inexplicable how it is possible for one of the associates of the Park and of SC Tehnopolis SRL, namely Iasi County Council to sue the company manager - SC Tehnopolis SRL of which this authority is part!

4.7. The way of thinking of Romanian legislator, evident in the G.O. 14/2002 provisions on the establishment and operation of science and technology parks, is defective and therefore we think that it should be improved.

Relating the establishment of the park to a joint venture contract is at least questionable. Also, the possibility of including in the consortium of the park the local government makes room, in a masked way, but legally, to political interference in the delicate, but apolitical issue of the scientific and technological parks. This takes place because from the interpretation of legal texts applicable (Articles 1949-1954 of the new Civil Code), joint venture represents "an inappropriate form of society in which a person participates in the commercial businesses of another to increase their profitability and to share with it the gains and losses, definition that captures two key issues: the commercial business belongs to a person and the other person contributes to the implementation of the idea, to the achievement of business and (...) it does not matter if people are traders, but only the nature of business for which they associate"[3]. It follows that some public legal persons (such as Iasi City Hall or Iasi County Council) are allowed, in addition to the public interest for which they should always work to serve private interests as well.

Although these two local authorities administer public funds, they can initiate an association, removing thus public money from public attention.

In addition, joint venture agreement requires the partners to participate equally in profits and losses. So, the following legitimate question arises: to what extent has the local administration the right to participate in the conclusion of a joint venture contract assuming the risk of loss from local community patrimony? The problem is real, not imaginary, since the return to joint venture operations for year 2010 highlights Tehnopolis' negative financial results, reporting a loss of 359,400.08 lei, and for 2011 a loss of 183.000 lei is projected [4].

4.8. Traditionally, the operation of scientific and technological parks is based on their own efforts: "on their own choice of business partners, on self-financing, on their own management and on risk taking policy"[5]. Or, in case of Tehnopolis Park we only find the own choice of business partners and, to the limit, the existence of an own management. The above shows, abundantly, the absence of self-financing and, especially, of risk-taking.

4.9. One element that could lead to the development of the park is its integration into an association with an international character, such as, for example, the International Association of Science Parks, which currently includes 190 science parks. The role of such integration is given even by the size of this structure, which enables connection to a real communication channel, and to an important flow of information for approximately 30,000 innovative companies that are residents of various parks.

However, currently, the Science and Technology Park from Iasi is not part of any association of the same nature, national or international. In the future, we considered auspicious the association with at least three other existing scientific and technological parks nationwide.

4.10. We consider it appropriate that the results of research carried out in the park to be disseminated through a quarterly magazine or of a higher frequency. Only in this way, Tehnopolis Park would demonstrate its usefulness, disseminating all the results obtained in the business incubator or in laboratories opened here, to all those interested. The current lack of transparency is likely to raise questions about its real, scientific and practical importance.

It should also be taken into account the possibility to organize thematic conferences or other events open to the public, related to the park activities. In addition, the park location in Iasi, a city with a rich historical tradition, close to the universities from Iasi requires the conduct of cultural activities inside the park, which attract a larger audience.

It is also important to create centers of transfer of the results of the research carried out in the park, by finding a solution to pass from patents to products and services.

4.11. If the area of land granted to the Science and Technology Park from Iasi is currently of approximately 10 hectares, built and unbuilt land, the disadvantage is that unbuilt plots of land destined for rent remain the property of the Park, their alienation being prohibited. Hence the difficulty of attracting investors. Investors are forced to raise buildings exclusively with a provisional and not definitive character on park parcels. Investors' reluctance is thus translated into the non-use of the park, bound for construction. Our suggestion is to relax the regulations in this regard, in order to attract investors by the opportunity to purchase plots in the park. Fortus unused land area, the presence of numerous halls of the former company, currently unused, support our proposal.

4.12. The establishment of the Advocacy Center was originally included in the Park draft, but its implementation was postponed *sine die*. The establishment of the center inside the park would have been a premiere in the Romanian economy. The role of such a center is to prepare a team of specialists able to offer their expertise in their specialized area to residents of the Park to support their legislative initiatives, in order to improve the Romanian business environment.

The fact that even to this moment the Park does not have such a center shows a lack of confidence in the Romanian business people, in those who have the quality of tenants of the park. Only the local business competition can improve the legislative framework so as to transform the Romanian economy into a functioning market economy, at European level, respecting the characteristics and traditions of Iasi area.

5. Conclusions

At the national level, the following issues are imperative: the design and implementation of a research – development oriented policy, the change of existing legislation regarding scientific and technological parks, by diminishing the influence of local authorities, and also the establishment of more parks of this kind, since the establishment of a national and local innovation system is imperative. The reconstruction of the Romanian space through science, this time, is a requirement.

Everywhere in the world, public authorities' attempt to establish a new Silicon Valley or a new Cambridge Park is obvious. Science and Technology Park "Tehnopolis" is a true regional, urban portrait of Iasi, capturing the development of Iasi, divided between the research and development side, represented by the academic environment from Iasi and developed accordingly, and technological and industrial innovation, hardly representative and represented.

6. Acknowledgement

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The Role and Importance of Leverage Rates in the Financial Management of the Company

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Abstract

The aim of this article is to present an own vision regarding the role and importance of the analysis of the leverage rates seen as one of the key aspects of the financial management of the company. Our concerns have in view a theoretical and methodological approach of the debt ratios that can influence the financial activity of the company.

Establishing the level of indebtedness is one of the most important financial policy decisions of the company. The analysis of the company indebtedness is a matter of internal management of the company through which it must ensure the effective use of loan contracts and the conditions necessary for the repayment terms and interest on outstanding rates.

The rates are sizes that are expressed by number, points or term and are analysis tools used for knowing certain economic and financial historical or forecast phenomena, and also of the elements and factors causing them.

Key words: debt, debt ratios, financial leverage, financial independence, repayment capacity

J.E.L. classification: B26

1. Introduction

A good knowledge of the financial management requires knowledge of the state of the company and timely discovery of various causes, effects, problems generating expected or unwanted changes in the economic and financial activity of the company. In this respect, the financial analyst

must study the profit and loss account, balance sheet items or groups of items to determine the relationship between them and the financial diagnosis.

The analyst will make a selection from the mass of information in order to calculate some rates, highlighting the economic characteristics of the market and is a means of analyzing and determining the financial diagnosis, these procedures are known as the method of rates.

The rate method is a traditional and widely used tool in financial analysis. Comparisons of rates in time and space are used to obtain useful conclusions in the decision making process. The interpretation of rates must be done, however, with caution, taking into account each term of the report.

It should also be noted that many factors can influence the conclusions: ownership, organization, nature of business, accounting procedures for recording and processing data. In financial literature and in practice, are used over one hundred financial ratios. One of the reasons for their proliferation is that they not only serve the purpose of the external financial analysis, but are also used as a tool for analysis and internal evaluation of the company.[5]

The leverage rate analysis has as object to characterize the company's debt position relative to its resources and sources of finance resulting from the activity itself of the society. These sources are in fact the company's financial results, of which it can repay its debts.

The share of debt in the funding structure of the company depends on its development strategy, the situation at one time on the financial market and its development prospects in the future.

The main forms of debt are:[7]

a) loans through direct call: bonds, participatory investor certificates, medium term notes, bonds, Treasury bills, certificates of deposit;

b) loans by financial intermediaries:

- long term and medium: medium and long term loans through the mobilization of debt, medium and long term loans without receivable mobilization, credit (rental or lease agreement);

- short term: loans for mobilization (discounting, factoring), treasury loans (home facilities, credits of campaign).

This classification must be done by taking into account the three types of credits or loans as they follow: [7]

➤ Specific credits refer to certain operations such as exports, creation of the enterprise, decentralization. These loans are generally provided by financial intermediaries and should therefore be included in this category.

➤ Between companies loans appear when a company gives its clients payment terms, not making a call to public debt or intermediaries;

➤ Credits on the international capital markets or international banks, accounting for large sums through complex financial techniques. These apply only to a limited number of large **enterprises**, public or private.

2. The role and importance of leverage rates

Using currently and significantly bank loans raises the question of a high level of dependence of the company to the banking system, determined by dividing the total bank debt resources or capital to total debt. In the financial diagnosis of the company, the level of indebtedness is a relevant element of management. The study of the level of indebtedness and its stability over the medium to long term is done in a static manner by evaluating the importance of debt relative to some appropriate references (debt rates), dynamic analysis of financial structure is accomplished by the array of financing. [6]

Companies use for performing their activity not only own capital but also borrowed capital. The debt represents two

major characteristic for the company: on one side the obligation to pay regularly certain interests, which means financial expenses which will diminish the results, and on the other side using credits can decrease a surplus of profitability, even if it is superior to the cost of capital borrowed, the company is in advantage.[2]

The role and importance of debt ratios is reflected mainly in the following aspects:

- permit assessment of the state of indebtedness of the company, being a synthetic information for the management of the company and for shareholders, bankers, financial analysts, experts, accountants, etc.

- allow determining and analyzing trends in debt for a certain period of time determined by the financial analyst;

- provide information on the company autonomy to its creditors;

- appreciate the importance and impact of borrowing on the financial management of the enterprise ;

- help to establish the causes, effects and problems that generate expected or unwanted changes in the economic and financial activity of the company.

Of course, the aspects showing the role and importance of the debt rates can continue, we are just presenting some of these aspects.

The debt ratios sized in the view of the liquidity - eligibility analysis show the importance of debt over the financial management of the company. Comparing external debt financing with equity, debt rates reveal the composition of the passive and permanent allocation between equity capital and those borrowed on medium and long term. [7]

3. The theoretical and methodological analysis of the leverage ratios

3.1.The leverage ratio

Also known as the "financial leverage ratio" it expresses total debt (on short, medium and long term) of the company in comparison with equity or otherwise said it reflects the degree in which own capital assures the financing of the company activity. It can be interpreted also as a ratio of the financial autonomy of the company

indicating the degree of its commitments on short and long term are guaranteed by the own capital of the company.

The leverage ratio is determined by using the relationship:

$$LR = \frac{\text{Total debts}}{\text{Equity}} \cdot 100$$

(1)

The result of this rate should be below par, as a value higher than one means a high degree of indebtedness. The literature indicates that a value of this rate exceeding 2,33% expresses a high degree of leverage, the company may be quite at the stage of imminent bankruptcy even if the result exceeds several times the threshold of 2,33%.

If the leverage is greater than 1% than the enterprise will depend more on its creditors, and if is less, the bank will continue to guarantee loans under certain guaranty. Creditors prefer low debt rates, because the smaller the report, the risk of possible losses in case of bankruptcy is lower. Business owners usually follow a higher rate because they want to develop the business and for that they need to borrow.

3.2. The financial leverage rate

In terms of accounting, liabilities are external funding sources available to a company, either bonds and credit institutions (financial liabilities) or suppliers (generally operating debt) or other third parties (fiscal or social liabilities) .[10]

The passive balance sheet of Romanian companies regroups liabilities in four positions: [10]

- loans and related liabilities (financial debts);
- suppliers and related accounts 9 generally ,operating liabilities)
- advances received from customers (customer-lenders) and other liabilities (debts salary, social liabilities, tax liabilities, debts to associates and shareholders, Accounts Payable, etc..).

Complementary to the balance sheet, the annex classifies debts, after maturity, in: [10]

- debt incurred up to a year;
- debts incurred between 1 and 5 years and debts incurred for more than 5 years.

The financial debt ratio reflects the company's indebtedness on long-term and is determined by the relationship:

$$FDR = \frac{\text{Financial liabilities and long-term average}}{\text{Permanent capital}} \cdot 100$$

(2)

If the rate will have a value lower than 0,50% (<0,50%) then the company will continue to benefit from medium and long term bank loans.

3.3. The rate of the financial independency

It is complementary with the financial leverage rate and measures the weight of equity in the permanent financial resources. This is determined by the relationship:

$$RFI = \frac{\text{Equity}}{\text{Permanent capital}} \cdot 100 \quad (3)$$

This rate must be greater than or equal to 0,50% ($\geq 0,50$) imposed by banking rules in credit relations with the enterprise. The value of this rate approaches 100%, the degree of financial independence is higher.

3.4. The rate of the loan capacity

The borrowing capacity of an enterprise is the possibility to be able to call in loans, taking into account its financial structure. It is determined by the debt rate and ability to repay and guarantee.

The lending capacity rate compares its financial resources with long term loans. If the financial resources are less than their debts on time, that $RCI < 100\%$, the theoretical capacity of lending of the company is saturated. Therefore banking rules recommend a ratio higher than one: [4]

The calculus relationship is:

$$RLC = \frac{\text{Equity}}{\text{Term debt}} \cdot 100 \quad (4)$$

3.5. The rate of the capacity of repayment (the rate of credits coverage)

It expresses in number of years the company's ability to repay the full long-term loans. This rate allows us to determine how long the company would be able to repay its financial debts, if they use the full capacity of self-financing for this purpose. In other words, this indicator shows the proportion of company profit (after deduction of dividends) that will be (was) available for the payment of interest on their credit, to repay long-term loans next year.

The relationship calculus is:

$$RCR = \frac{\text{Total loans}}{\text{Self-financing capacity}} \cdot 100 \quad (5)$$

The lower the value of this rate the higher its capacity of repayment. Generally, loans on term are paid in maximum 3 years and total debts in 4 years.

Such an indicator has importance, firstly in the phase of contracting the loan, as banking rules may impose a number of years for theoretical repayment of the financial liabilities. In practice, the repayment period is provided in the loan agreement, and how its provisions have been complied with result from the accounting of the company.[9]

3.6. Sampling rate of the financial expenses

It shows the payment capacity of the long term debt cost and is determined using the relationship:

$$RFE = \frac{\text{Financial expenses}}{\text{Gross operating surplus}} \cdot 100 \quad (6)$$

If the ratio is smaller than 0,60% (<0,60%) the company has financial management difficulties risking to go into bankruptcy.

3.7. Borrowing cost

The borrowing cost includes interests and other costs incurred by a company in undertaking loan funds.

It is also called the average interest rate and is determined after the relationship:

$$BC = \frac{\text{Financial expenses}}{\text{Total loans}} \cdot 100 \quad (7)$$

If the average interest rate is lower than the analyzed company's economic profitability, debt favors financing through loans, so the leverage is the use of influence on equity profitability.

3.8. The weight of current loans in total debt

It expresses the choice made by the company between medium and long term debt and current banking credits (short term credits). The relationship calculus is:

$$CLD = \frac{\text{Current bank loans}}{\text{Global debt}} \cdot 100 \quad (8)$$

A large proportion of current bank loans in business debt can mean a situation of vulnerability which takes into account the type of these resources and their high cost.[8]

4. Conclusions

In the financial management through rates there must be meet the following conditions:

- to use the most representative rate and perform complex and not unnecessary calculations;
- rates calculated on several successive periods are comparable to each other;
- to avoid comparing rates between firms with different total activity object.

The interpretation of the rates should be characterized by caution, because only one of them, taken alone, is not satisfactory to describe the business activity, but only a particular combination of rates gives this possibility.

Debt ratios allow the examination of the distribution or structure of equity disposed by the company, meaning of own capital and those borrowed.

The analysis of the leverage degree highlights its evolution in a certain period, with the view to adopt financial policies to ensure the necessary independence. The analysis of the indebtedness degree of the company is also a problem in which there are interested different subjects, among which, even financing banks play an important role. [9]

Leverage can increase a firm's value, but a company indebted has a greater risk, the company not indebted has only an economic risk, while the indebted company recorded an increase in equity risk vis-à-vis the indebtedness degree.

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Study on Accounting for Assets use Change

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Abstract

The purpose of this research theme is to disentangle the manner of highlighting and accounting of the operations on the assets use change. Also the article wants to underline the complexity of the accounting problems connected to this subject.

Key words: : assets with long manufacturing cycle, tangible, stocks, housing complexes or ensembles, changes in the use of tangible, transfer of assets.

J.E.L. classification: M40, M41

1. General aspects on assets use change

The accounting on fixed assets is kept on categories and on each object of bookkeeping [3].

In the category of stock there are also comprised the assets with a long cycle of manufacturing, made for sale (for example housing complexes and ensembles, etc. made by entities that have as a main object of activity obtaining and selling houses) [1]. If the buildings are accomplished with the purpose of long term exploitation, they represent tangibles. Also when a site is bought for the purpose of building on it constructions for sale, this is registered in stocks [1].

When there is a modification of the use of the tangible, in the way that this will be improved in the respect of selling, at the moment of the decision on modifying the destination, in accountancy there is registered the transfer of the asset from the category of tangibles to the one of stocks; transfer that can be done at the unamortized value of the tangible[1].

According to point 92 from the accountancy regulations related to the European statutory approved by the Minister of Finance Order no 3.055/2009, an asset is

framed under the category of tangibles if it meets two conditions[1]:

- it is owned by an entity in order to be used in the goods production or services provision, to be rented to third parties or to be used in administrative purposes;
- it is used on a period longer than one year.

According to point 152 paragraph (1) from the same accountancy regulations, stocks represent elements of asset nature, that must be recognised as so and have to fulfil three conditions:

- to be owned in order to be sold in the period of the normal unfold of activity;
- to be on the track of production in the perspective of sale in the process of the natural unfold of the activity
- to be known as raw materials, materials and other supplies, that are to be used in the production process or for services provision.

2. Case study on asset use change

Example no.1:

Student Ltd. has in its portfolio buildings under the classification of both tangibles and stocks (for sale – 371). The company buys at 31st January 2008, for its own needs, a downtown building (building A) with the value of 30.000.000 lei (the building is used 75% for renting and the rest for its own needs). The building is paid entirely on a period of 50 years (monthly payment 30.000.000/600 months= 50.000 lei). In the first semester of the year 2011, the company restricts its activity due to the financial crisis, and at the beginning of July 2011, the board decides to modify the usage of the building A, this being improved in the perspective of selling, the personnel being transferred in another premises (B), which was initially framed in the category of stocks at a acquisition cost of 20.000.000 lei, being initially a space designed for sale.

The management has made this decision because the income from rents has decreased very much, and the renting activity is in deficit. In order to sell it in the period between July 2011-March 2012, several improvement measures are taken in a value of 12.000.000 lei, in the following way:

1. 1.500.000 lei (July 2011 – December 2011);
2. 1.000.000 lei (January 2012 – March 2012).

On the 1st of April 2012 the completion and reception of the modernization works takes place at building A.

As a consequence of the management policies, at the beginning of July 2011, the company restores the two assets:

- building A is transferred from fixed assets to stocks;
- building B, from stocks to fixed assets.

In April, the building is sold at a selling price of 45.000.000 lei, plus VAT.

Solution:

1. Accounting records regarding building A:

- building acquisition at 30.000.000 lei + VAT, on 31.01.2008:

%	=	401	<u>37.200.000</u>
212/ A			30.000.000
4426			7.200.000

- liquidation of building 11 months 2008, 12 months 2009, 12 months 2010, 6 months 2011: 41 months * 50.000 = 2.050.000

6811	=	2812	2.050.000
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- transfer at the 1st of July 2011 of the building stocks at the value necessary for liquidation, 27.950.000 lei:

%	=	212/A	<u>30.000.000</u>
331			27.950.000
2812			2.050.000

- for the months July – December 2011, there is registered monthly on expenses the sum of 1.500.000 lei:

Cls.6	=	%	1.500.000
		Cls.3	
		Cls.4	

- for the months July – December 2011, there is registered monthly the current production, the sum of 1.500.000 lei:

331	=	711	1.500.000
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- for the months January 2012 – March 2012, there is registered monthly on expenses the sum of 1.000.000 lei:

Cls.6	=	%	1.000.000
		Cls.3	
		Cls.4	

- for the months January 2012 – March 2012, there is registered monthly the current production, the sum of 1.000.000 lei:

331	=	711	1.000.000
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- resumption and discharge of the current total production, representing the improvement works to the production expenses:

711	=	331	12.000.000
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- The building is recorded in accountancy at stocks of finite products at the level of improved asset.

- reception on the 1st of April 2012 of the improvement works at a total production cost of 12.000.000 lei:

345	=	%	<u>39.950.000</u>
		711	12.000.000
		331	27.950.000

- the transfer of the finite products to merchandise in the perspective of selling:

371/A	=	345	39.950.000
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- sale as merchandise, sale price + VAT:

4111	=	%	<u>55.800.000</u>
		707	45.000.000
		4427	10.800.000

release of duty:

607	=	371/A	39.950.000
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2. Accounting records regarding building B:

- changing the destination of building B at the beginning of July 2011, and classifying it to constructions:

212/ B	=	371/ B	20.00.000 lei
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Example no.2

The company Student has the object of activity the sale of houses. This one buys on 01.04.2010, the entity X, legal Romanian entity, a block of flats for the function of offices, at a negotiated value of the contract being of 20.000.000 lei, VAT 24%. Through the policy of the entity it is established that the bought block of flats is to be paid for over a period of 60 years.

Starting with the following months of acquisition, the entity calculates the payment of the block of flats by using the straight line method of depreciation.

On 31.12.2010 it makes the re-evaluation of the tangibles, and in the evaluation report there is established the fair value for the block of flats at 19.000.000 lei.

At the beginning of January 2011, more exactly 1st of January 2011, the management of the entity decides changing the destination of the tangible in order to sell it, the sale value of the block of flats being of 25.000.000 lei, VAT 24%.

In order to sell the block of flats, the entity decides the exterior thermal rehabilitation of the block of flats; the works done in this respect have the value of 1.500.000 lei. The building is sold at 31.01.2011.

Solution:

Accounting records:

- registration in accountancy on 01.04.2010 of the block of flats bought by the entity: :

$$\begin{array}{rcl} \% & = & 404 \quad \underline{24.800.000 \text{ lei}} \\ 212 & & 20.000.000 \\ 4426 & & 4.800.000 \end{array}$$

- recording of the monthly depreciation, a total sum of 27.778 lei (20.000.000/60 years/12 months) starting from May 2010:

$$6811 = 2812 \quad 27.778 \text{ lei}$$

Depreciation for the period May 2010 – December 2010 = 27.778 lei x 8 months = 222.224 lei

Net book value of 31.12.2010 = 20.000.000 – 222.224 = 19.777.776 lei

Value (just) from re-evaluation= 19.000.000 lei

Results a depreciation value (a minus from re-evaluation) of 777.776 lei.

- recording in the accountancy of the depreciation value resulted from the re-evaluation:

Because after the calculus made we observe that the just value of the re-evaluated tangible is inferior to the net book value of it, the difference from the re-evaluation is seen as an expense with the total value of depreciation:

$$6813 = 212 \quad 777.776 \text{ lei}$$

- the change of the building destination on 1st January 2011, according to the decision of the management of the Student entity:

$$331 = 212 \quad 19.000.000 \text{ lei}$$

- all along the carrying out of the work representing thermal rehabilitation of the block of flats, the entity makes their recording in the accountancy books in this way:

- it is recorded as expenses the sum of 1.500.000 lei:

$$\begin{array}{rcl} \text{Cls.6} & = & \% \quad 1.500.000 \text{ lei} \\ & & \text{Cls.3} \\ & & \text{Cls.4} \end{array}$$

-the current production is recorded having the sum of 1.500.000 lei:

$$331 = 711 \quad 1.500.000 \text{ lei}$$

- resumption and discharge of the current production representing the improvement works:

$$711 = 331 \quad 1.500.000 \text{ lei}$$

The building is recorded in accountancy at the stocks of finished products at the level of improved asset.

- reception of the piece of work and of the building for sale at a total value of 20.500.000 lei (1.500.000 + 19.000.000):

$$\begin{array}{rcl} 345 & = & \% \quad \underline{20.500.000} \\ 711 & & 1.500.000 \\ 331 & & 19.000.000 \end{array}$$

- the transfer to merchandise of the improved block of flats:

$$371 = 345 \quad 20.500.000 \text{ lei}$$

- the sale of the block of flats:

Sale price = 25.000.000 lei

$$\begin{array}{rcl} 4111 & = & \% \quad \underline{31.000.000 \text{ lei}} \\ 707 & & 25.000.000 \\ 4427 & & 6.000.000 \end{array}$$

- release of duty of the block of flats at the carrying value (20.500.000 lei):

$$607 = 371 \quad 20.500.000 \text{ lei}$$

3. Conclusions

The objective of this article is to present the opinion of the author backed by case studies, regarding the modifications imposed by the introduction in the accountancy legislation of some theoretical aspects on the assets use change.

The tackled theme has also been studied in other major materials, presented in the bibliography, referring to which we can draw the following conclusions: concerning the developed material in the practical guide issued by MFP, in the year 2010, it is noticed a wrong accountancy of the manner of the release of duty in the stocks of the sold finished products, because the production is released at its entire value (production cost plus the value left for liquidation, through the registry: 711=345) [2], considering in this respect that the alternative of product transfer to merchandise in more adequate (371=345).

This work represents a special problem that is less discussed in the professional environment of bookkeeping. We notice that the problem of accounting of the assets use change was less detailed in the accountancy regulations and in the major literature.

In the practical guide of the MFP, in the accounting regulations, in the case of stocks of the type of housing complexes or ensembles, which year 2010, there is noticed that accounting wrongly the way of subtracting from accounting management of the stocks of sold finite products, because the production is discharged at its entire value (production cost + value remaining for liquidation, by registering: $711=345$), taking into account that the alternative of transferring these products to merchandise is more adequate ($371=345$).

According to the accountancy policies of an entity, an element of an asset nature can be recognised in the category of tangibles or of stocks, according to the purpose of its destination, but also of the period expected in which it will be used by the entity (on the long run, or on the short term).

The accountancy regulations allow framing in the category of stocks of the assets with a long cycle of manufacturing and which are meant for sale (for example: housing complexes or ensembles made by entities that have as a main activity obtaining and selling of houses).

On the other hand if these buildings are made with the purpose of being exploited on the long run by the entity which made them, they are recognised as tangibles. Also, when a piece of land is bought for building on it buildings for sale, this is registered at stocks.

Regarding to the alteration of the usage of one tangible, in the way that it will be improved for sale, at point 153 paragraph (1) from the Minister of Finance Order no. 3.055/2009, it is stated that at the moment of taking the decision regarding the alteration of usage, in accountancy there is recorded the transfer of the asset from the category of tangibles to the one of stocks.

The transfer is registered at the depreciated value of the tangible. If the tangible has been re-evaluated while the reclassification of the asset was made, there will be proceeded to the closure of the backup account from the re-evaluation reserved to it. According to point 153 paragraph (3) from the same initially were meant for sale and that afterwards change their destination, as to be used by the entity during a longer period of type or being leased to third parties, in bookkeeping there is a register of the transfer from stocks to tangibles. The transfer is made at the date of the destination swift, at the value that the assets were registered in accountancy (represented by cost).

Also, according to article 24, paragraph (17) from the Law no 571/2003 concerning the Tax Code with the subsequent modifications and additions, in the case of a tangible, which at the date of the entrance in the patrimony has a tax value lower than the limit established by the Government decision, the taxpayer may choose between the deduction of the afferent expenses of the tangible or for the recovery of these expenses through depreciation deductions.

We hope that this article will prove to be a useful tool of information for the people involved in the area of accountancy.

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The Economic Recession, the Everlasting Bridge to the Informal Economy

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Abstract

These days, words as recession and crisis are on most peoples' lips, in Romania and elsewhere. The worries, mostly connected to unemployment rate increase, have also deep roots in the decrease of productivity. The official figures have sustained a potential exit from crisis since the August 2011. Beyond figures things are more clearly when consider the awareness for more work, responsibility turn into real performance and better results. Population cannot heat their home with figures that are far from reflecting the reality as it is. To survive the recession, Romanian employers prefer work informally, if not illegally, to avoid excessive bureaucracy and overburden taxes.

Although officially Romania got a top position among the countries with a low unemployment rate- 4.8% (August 2011), the official measures adopted by the government are not at all connected to economic development. In this respect, potential causes and future legal actions to follow are delivered in this script.

Key words: Crisis; Unemployment; Gender; Underground/Informal Economy.

J.E.L. classification: A13, A14, E24, H12, K42, E26

1. The economic and the social context of Romania

Specialists from all countries got the idea that what began as a subprime mortgage debacle in the United States has by now transformed into a worse global financial crisis. It's not the first financial crises and the history teaches us, that it won't be the last

one. We still wonder why these events are so quickly forgotten, and why all the time, we have to make new analyses, to give new lessons from which the population as well as governors and entrepreneurs have something to learn.

The main problems which gravitate around the world in this moment are: the containment of the immense financial sector crisis and the meltdown of production and the increase of the unemployment.

This paper aims to analyze the second problem: the unemployment. In Romania the official figures present a lower unemployment rate than before the crises has begun.

In Romania the unemployment rate recorded at the end of August 2011, a value of 4.8%, being one of the countries with the lowest unemployment rates in the EU. In order to cover the debt caused by the crises the Government decided to fire over 100.000 employees from the public sector. Neither the private sector doesn't taste good this bitter effect of the crises, and almost 150.000 workers were fired since the crises has begun. The adoption by the Romanian Government of certain unsustainable fiscal policies in order to reduce the unemployment in the current economic crisis, led to lower productivity, which limit the creation of new jobs.

Although the statistical data provided by NIS, look like the unemployment rate in Romania between Aug.2010 – Aug.2011, is in continuously decreasing, the total number of unemployment dropping from 675.800 in August 2010 to 435.200 in August 2011, the employees number in economy is continuously decreasing too, with more than 250.000 people less than the number recorded by the end of 2010 as in shown in the next graph.

Graph. 1. Unemployment rate during August 2010 – August 2011



Source: INS Yearbook 2010

At global level in time of crises the groups of people that are most affected are men and the young ones. This is not an absolute rule for our country too, and the particularities for Romania will be presented in the following lines.

2. Gender differences in terms of unemployment

In the labor market, the current crisis has affected men and women also. The reason why men are affected it's quite simple, because of the sectors that were most severely affected by the crises (egg. the construction, financial services and automotive sectors etc.), traditionally employ more men. From 2002 to 2007, the leadership for these ones has been in women hands. But, since the crisis has begun, most markedly since the first quarter of 2008, the rate has converged. In the first quarter of 2009, the male unemployment rate has moved to only 0.3 percentage points below the female rate. This rule is valid for all the European countries, but in Romania things is different. The female unemployment rate increased more than the male unemployment rate. In Romania, the crises made his presence felt in construction like in all the European country – but not only. Also the textile industries, the agricultural exports and tourism were affected by the fall into this economic recession. The sectors mentioned above are female intensive industries. In addition to this is all the great number of dismissal from the budget system that mainly has affected the women, because more woman than men works in the public sector.

3. What measures should Romania take to stop the gender differences in terms of unemployment?

The great danger that any country can fall is the recovery reform. These efforts and funds, have not to favor the strength position from the economy, because in this case, the existing inequalities will be strengthened. Not only that it will be an accentuation of the existing disparities and a hardening of social exclusion, but also the effects will be critical economically, socially and politically speaking. Here is the great opportunity, to see the crises like a great medicine- a new lifestyle - in order to reduce all the inequalities between genders lines, ages and experience.

Firstly, there have to be more re-skilling trainings for the entire population and more unemployment benefits. This re-training program of unemployed people to new jobs has to break gender stereotypes, especially those with family responsibilities. In women cases there have to be a strong initiative to return to work after the maternity leave. The initiative could come from men too, through encouragements for these ones to take paternity leave. A general measure can target the incentives. In this way it can be make work pay measures, which can increase incentives for low-paid workers to participate in labor market, by providing income tax credit. Another problem is in the public system, because most of the jobs from this sector are blocked. The government should do in order to reduce this anomaly of the system more public employment programs. For people to be stimulated there has to be an increase of the minimum wage – especially because women are lower paid than men due to the gender wage gap.

4. Youth unemployment

Another category of people that is affected by the global economic crisis are young people. In general, youth have been hit much harder than prime-age men in terms of increasing unemployment rates. Overall, youth unemployment rates are far more sensitive to the business cycle than witnessed for the adult population (OECD 2008). Youth unemployment has increased since the first

quarter of 2008 with 1.8% . The unemployment rate is expressed as a percentage of the labor force (employed plus unemployed), not of the whole population. The young people are the main victims of the crisis, this mainly because when the crisis began, the creation of new jobs was stopped as a reverse. Because the young people were the main group of people which was targeted by the creation of new jobs, they have suffered a disproportionate increase in unemployment.

5. What measures should Romania take to stop the growth of youth unemployment?

The first measure is to ensure a microeconomic environment for job creation. In this way, all labor force and in particular the young one would not be affected by the effects of the economic crisis. Youth tend to be disproportionately affected in the context of stagnant economy and declining overall employment. In order to maintain a microeconomic stability the fiscal austerity that is taken by the government has to be done carefully, for not to kill the job creation. But this cannot be possible, by increasing the VAT with 5%, or lowering the budgetary wages with 25%.

Moreover, young people have higher needs than the adult population, and the most important one is that they need a home.

The second measure is to adopt different ways in which is promoted the transition of the youngest from school to work. Good examples are the internships. In this way the training of young people or the training for those ones who are unemployed is encouraged. Another idea focus on the same problem is developing a fund to support the job creation for young people, or to have well targeted social programs for the young ones. In order to complete this measure, we mention the lack of vocational schools which can professionalize the youngest in certain occupations, especially the technical ones, and the inefficiency of the education system.

The last measure is about the duality that must be avoided in the labor market. Now on the market are two layers of jobs. The first one is made from good jobs, quality ones, the stable jobs. The second layer is made from

the temporary, precarious and informal jobs. In Romania, in almost all big companies, the second layer of jobs is addressed to young people, because they miss professional skills, and/or work experience, job search and abilities, and last but not least the financial resources to find the right vacant positions. In this way it is not use the whole human or career potential of the young people. This case is also available during the good economic times not only in time of a recession period like this one.

In some cases other qualities are those who lift you to a better function, even if you are young and inexperienced. And we can speak a lot about nepotism.

6. The extent of the underground / informal economy on the labor market

While the unemployment rate calculated by the NEA is based on the declarations of people which are registered as unemployed at the Employment Agency Labor, the ILO unemployment rate published quarterly by NIS is based on surveys made in households. The difference between the NEA rate and the ILO rate is the hidden unemployment, namely the people who do not work, but do not pass on the NEA to be taken in evidence.

The dramatic drop of the unemployment rate does not reflect the real economic situation from Romania. Although the unemployment rate is continuously decreasing, the number of jobs in the economy paradoxically is situated in the same trend.

In addition to the retiring employees and some of the massive departure of the Romanians to work abroad, lately Romania is experiencing with phenomenon, which can be found in two forms: *illegal* employment and *informal* employment, phenomena both widely dissipated and difficult to eliminate.

In contrast to "illegal employment" which involves hiring undocumented persons excluding entirely the contributions to the state and the existing legislation, the "gray economy" simulates a situation of legality. Thus, employers prefer to register usually in the individual contracts of employment the minimum wage, and pay to the employees, on another side – a dark one - a larger amount of money in order to escape from

excessive taxes. From the necessity of survive in this economic recession by avoiding the excessive bureaucracy and the extremely burdensome taxes the employers from Romania had to recourse to "illegal employment" and "gray economy". In most of the cases this is a real condition for employment. For the same reasons, many entrepreneurs from Romania prefer to send their employees into unemployment and then hire them illegally.

The current economic environment caused by the financial crisis, the concern of losing their jobs, the personal needs, the training level, the lack of information about the consequences of his actions, the salary offered, "illegal", the distrust of the retirement system, determine the employee to show flexibility at employment and accept to work illegally, being in this way expelled from the payment of some bonuses, from the compensation for vacation, for child allowances, health insurance, pension and others benefits.

Until now has not been developed a viable method of calculating the number of the employed population in the underground economy, which can certainly estimate the number of employees who work on the black economy in Romania, but, according to a study conducted by Albu L. and L. Voinea, published by the National Trade Union Bloc later this year, entitled "The Informal Economy and her impact on the labor market" was estimated that no more than 3.4 million people are involved in the informal sector of the economy, either as partially or entirely works in illegality, while in the formal economy activates 4.1 million Romanians.

The same study reports that most of them are young people with ages between 15 and 24 years old, but also those aged over 55 years old, with a low education level attracted by the mirage of "illegal remuneration".

According to data published by NBS, if all the employees from the informal economy would migrate into the formal one, the employment rate would increase by 45%, which would provide Romania the achievement of occupancy rate set by the EU Strategy, Europe 2020 – meaning 75%.

Making public the informal sector is almost impossible considering that the entirely excessive taxation of the economy

who not increased by productivity but on revaluation of assets, cannot prevent the exposure to the risk that the activity which is the subject to taxation should not be performed.

Besides the lack of legal forms at employment and pay "in hand" the wages, mainly in services sectors, construction and agriculture sectors, the employers, in their struggle for survival, more and more often adopt illegal forms of remuneration. This situation fits those who are employed illegally on a minimum wage with a higher salary "in hand", those who belong to the freelancer's system, and to the tax structures recorded in European countries. These practices which damage the state budget with significant amounts of money tend to create an incorrect environment for those ones who are competitive in the relation to the formal market.

During all this taxation authorities assist helpless in front of the legislative inconsistency and slow and inflexible system that they have to deal with.

As long as, on the one hand, the population from Romania, from the desire to secure an income that satisfy the minimum standard of living, is willing to agree to perform work in any conditions, accepting the adverse effects on social security and developing economy, and on the other hand, the policy makers do not adopt sustainable measures designed to reduce employers' contributions and to increase the minimum wage, informal and underground economy is likely to grow in the following.

7. Conclusions

Almost all crises start and end up the same, and it seems that the nation heal so quickly that forget the past. Milk and honey will no longer flows through the Carpathian Danubian-Pontic area. Reducing the budget wages by 25% and increasing the VAT with 5% are not the best methods that government can take for relaunching the economy. In addition to this the dismissal of public sector with almost 100,000 employers, has done nothing more than encourage illegal economy, migration and fiscal evasion.

The measures that can lead to real economic growth are the expansionary ones. They must be accompanied by effective exit

strategies supporting on the one hand the sustainable growth, and avoiding on the other hand macroeconomic imbalances. But the measures adopted so far by the government were not designed to pull the economy out of crisis, but on the contrary, they led to the amplification of the informal system.

To restore law and order in the labor market the authorized organization should adopt the following measures:

- Increase the minimum wage to a decent level constitutes the safest way to avoid the illegal economy;
- Reduce the contributions to the state as is practiced in all EU countries;
- Removal of bureaucracy in terms of bushy documentation required in the case registration the legal forms;
- Creation of an electronic register required for recording coherent and stable legal forms that would not be changed permanently as it is currently done;
- Increasing the number of Labor Inspectorate centers in the country that facilitate the employer's performance of procedures required in the workforce quickly. (Now in most places in the country were abolished the Labor Inspectorate centers of cities, being founded only one in county residence);
- Introduction of compulsoriness to employees of holding identity documents on them during the execution of works, mainly in the economic branches the most affected one by illegal employment in order to identify faster the person checked. Currently the law is indulgent, enabling employers to provide legal forms of employment and other documents related to competent authorities, only after 48 hours from the request control;
- Initiating correctly and firmly punishment the people who try to evade from the payment of contributions and taxes through the practice of illegal work. According to the provisions of article. 264 of the Labor Code / 2003, republished, the state is quite permissive in the sense that does not punish severely the person who agrees to work in the underground / informal sector than in the situation when it commits acts

"repeatedly" or if it gets to work without legal forms "more than 5 people." The current legal provisions of minimum sanctions and the support for employers, undoubtedly lead to encouraging the exclusion of legal provisions by finding legal wickets, or opportunities alternatives that allow them to continue their illegal work;

- Drastic punishment of acts of corruption on the people involved, whether they are part of inspection bodies or private sector;
- Encourage sources of information both outside and inside companies and public institutions on illegal acts committed by the employers;
- Informing and educating citizens about their rights and their facilities offered by the state for the legal forms of employment through developing practical guidelines, in collaboration with other institutions from the same field, with employers and unions, through the mass – media;
- Continuous information of employers by the authorized organizations by various methods, on the obligations incumbent on them in the field of work relations;
- Creation of a retirement system at the European level to stimulate citizen not to agree to perform illegally work;
- Adoption of a consistent stable legislative system designed to protect labor rights both the employee and the employer.

In order to all these measure to be viable they must integrated and targeted applied so that all measures of the government institutions to converge to the same point and to increase the percentage of employment. This definitely can be done, once a social partnership between Romania and other developed countries is adopted. This may ensure the modernization and diversifications of all the activities and sectors currently ineffective in our country.

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A Keynesian Versus a Monetarist Perspective of Money and Monetary Policies

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Abstract

This paper aims to show the different approaches of monetary policies from a Keynesian and a Monetarist perspective. We will present a critical view about money and monetary theories by comparing two of the most important and influential schools of economic thinking: Keynesian paradigm and Monetarism.

The later appeared as a reaction of the former, in a moment in which the existing solutions could not solve the negative phenomena the economy was confronted with.

A change was necessary. But for how long Monetarism succeeded to be a solution for the economy? And what school considered money as having an active role for economic growth?

Key words: monetary policy, money, Monetarism, Keynesism, economic growth.

J.E.L. classification: E52, E41, E12, O47.

1. Introduction

The period between the two World Wars is dominated by a very serious problem that needed urgent solving: unemployment. Not only did the number of unemployed people grow, but neither the thinkers of that times didn't give enough importance to the phenomenon, considering it solved even before knowing its disastrous effects.

These were the conditions that anticipated a changed paradigm: Keynesian school of thinking.

2. Being a Keynesian

Keynesianism has its name from the english economist John Maynard Keynes,

who, seeing the problems that the world economies had to face after Word War I, will create in the early 1930s a new paradigm of economic thinking, different from the classical and neoclassical thinking. The market economy was the center of this thinking. It was guided by several fundamental psychological laws or inclinations and in the absence of market rules or a well-defined framework, it will likely to generate unemployment, crisis, other negative phenomena and even economic instability.

The classical laissez-faire attitude is no longer current. So Keynes considered that the state should have an active role in the economy, but without hindering entrepreneurship. A free left market is a magnet for crisis and unemployment. And this can't be tolerated anymore!

The paradigm, that will dominate the world economic scene until the 1960s, admitted the existence of a long term impact of monetary policy on the economy. In other word, this was the central thesis that the two major schools of economic thinking had regarding the monetary policies: what is the long term impact of the monetary policies?

Keynes appreciated in *A Treatise on Money* (1930), that there is not always an equilibrium between savings and investments. For him, the interest rate is a key factor in the evolution of investments. When the steady state between savings and investments is obtained, the prices are stable. When the monetary interest rate isn't equal with the rate of profit, there is a fluctuation in prices, just as Wicksell stated too.

So, Keynes believed that in order to reduce unemployment, a government should reduce the interest rate, increase the purchasing power of money and increase public expenses. So, he identified what determines employment. And, in doing so, he stated that the condition for macroeconomic

equilibrium is the equality: Savings (S) = Investments (I).

The level of production has an impact over employment, but is influenced by the effective global demand. So, the global demand will become the main element of the keynesian's employment theory. The investment demand – a part of global demand – is influenced by two factors: the marginal efficiency of capital and the interest rate.

And we have two situations. Firstly, if the profit rate is higher than the interest rate, the investments will increase, so will the level of production and employment. Otherwise, a decrease of the two indicators will be obtained.

If money supply or the amount of money in circulation depend on the central bank, or the government, the money demand is – after Keynes – influenced by three motives that define the preference for liquidity: transactions, precautionary and speculation. Manolescu (2007) identify a fourth motive, of the revenues.

The interest is determined by both the money supply from the central bank and the demand of money. If the demand of money remains unchanged, then an increase of the money supply will lead to lower interest rates and vice versa, emphasizing the inverse relationship between these two, under constant demand.

The Keynesian thinking was best expressed by the famous IS-LM model, created by the british Sir John Richard Hicks and the american Alvin Harvey Hansen. The model assumes a double equilibrium on two markets: goods and services market, where $S=I$ expresses the equilibrium of income and the money market, where $L=M$ represents the equilibrium of the interest rate. The equilibrium on the goods and services market shows an inverse relation between income and the interest rate. The supply of money, M , equal with the demand for money, L , means that there is a direct relation between income and the interest rate.

Keynes's followers believed in the famous Philips curve, admitting there is an inverse relationship between unemployment and inflation. On the other hand, monetarists denied the existence of this relation on long term. They even rejected it, because it could lead to high inflation and high

unemployment. And that's exactly what happened in the 70s.

Stressing that indirect relationship, keynesians agreed that in an economy faced with high unemployment and low inflation, a relaxed monetary policy and an increase in the demand, can lead to economic growth and to the fall of unemployment. This, certainly will increase short term inflation, but on long term, unemployment will drop. Based on a study conducted on the american economy, monetarists were convinced that on long term, both inflation and unemployment will increase. The phenomenon of stagflation from the the 70s is a testimony of the monetarist paradigm. Inflation increased, but contrary to what Keynes sustained, so did unemployment.

The new keynesian paradigm brings a macroeconomic approach, perfectly combining the theory of value – which meant price stability and full employment – with the monetary theory – which emphasized price and money fluctuations. Keynes studied the demand of money, which is the base of its theory of income, consumption and investment.

Referring to monetary policy, Keynes regarded investments as a catalyst for the economy. Investments can increase if the interest rate is reduced, so the cost of bank loans is smaller and lending is stimulated. The decrease in the interest rate could be the result of a raise in the money supply, through an expansionary monetary policy. The interest rate will decrease until the savings are equal with the investments, or in other words, until full employment is achieved. This relation is the condition for macroeconomic equilibrium in Keynes's view.

The keynesian currency has a secondary role in economic growth. However, the increase of money supply is the main way to stimulate investments, leading obviously to the development of the society. Increasing money supply through nominal wages was in Keynes's view a necessary condition to maintain interest rates below the rate of profit, keeping the investments attractive.

The monetary theory of Keynes analyzed prices fluctuations and the purchasing power of money. According to Keynes, money supply is a function of the degree of liquidity in relation to interest rates, emphasizing

again the connection between the two indicators.

Keynes correlates the amount of money with the level of employment and prices. He considers that an increase in the money supply has a direct influence over employment, prices remaining unmodified.

Inflation occurs when prices rise even after full employment is reached. This means that not every increase of prices leads to inflation, but certainly any increase in the amount of money leads to a raise of prices.

The keynesian vision was a model for a long time. State interventionism adjusted the equilibrium. Regarding the monetary policy, the state acts through money supply, interest rate and credit.

In expansion, the state reduces the money supply to counteract inflation and increases the interest rates to limit lending, consumption and encouraging savings. In recession, the state increases the money supply to raise the demand and diminishes the interest rates to stimulate lending, consumption, discouraging savings.

3. Paradigm shift: Becoming Monetarist

Monetarism appeared as a critical response to keynesianism. Motivated by achieving economic balance and feeling that the solutions against unemployment, inflation and crisis are no longer effective, economists looked for new answers. One by one, unemployment and inflation began sacking the body called state. A shift of the paradigm was the best antidote. The laissez-faire of the classical school was obsolete. The keynesian interventionism was too extreme. The solution for macroeconomic balance was a mix between state intervention and the competitiveness of the free market. So neoliberalism was born.

Jacob Viner and Frank H. Knight started in 1930 an academic movement, better known as the Chicago School. Real empiricists, the representatives of this school have paid special attention to the free market, but also to the importance it has in economic development, in the resource allocation and income distribution. They disagreed state interventionism. For them, the velocity of money was not stable. They even blamed the monetary and fiscal policies for the Great

Depression from 1929. However, monetary expansion and negative budgets were their objectives.

This first generation of monetarism was criticized by Patinkin (1969), who considered this movement as being amorphous and vague. Under no circumstances that could be called a school of economic thinking. On the other side, George Tavlas and Milton Friedman encouraged the theory, mentioning that this was more like an „oral theory”.

When we say monetarism, we refer to the Chicago School, although there are no less than three generations of monetarism.

The second generation (1940-1960) was dominated by the analysis of monetary phenomena. This was the type of monetarism that influenced the american policy under president Reagan and also, the british policy under the Iron Lady, Margaret Thatcher, from the 80s. The leading figure of the twentieth century in terms of monetarism was Milton Friedman.

The last generation studied human capital and the property rights movements.

The keynesian movement wasn't anymore the recipe for success in economy and to ensure stability was needed more than a simple short term relation between economic growth and money supply.

Monetarism – a concept invented by Karl Brunner – considers money the center of any economic activity, the engine of development. For monetarists, the amount of money and their velocity have an active role in economy and in price stability.

Monetarism is a neoliberal current of economic thinking which states that the equilibrium is obtained only through fluctuation of the amount of money. So, money demand and monetary liquidity remain the two fundamental issues that will build the monetarist theory.

Todd G. Bucholtz captured very well the common points and especially the original ideas of Keynesism and Monetarism in his writing *Ideii noi de la economiști morți* (2004).

Although inside the school, there were different opinions (for instance, Friedman claimed floating exchange rates, Hayek claimed flat rates), one thing is clear: inflation is a monetary phenomenon, and on long term, the Philips curve is not justified. Thus, monetarists believed that we can not

increase employment through expansionary monetary policy.

Monetarists considered that the money supply is not influenced by production, it is determined by the monetary authorities. Moreover, inflation is caused by monetary phenomena. For them, monetary policy is a necessary condition for stability. Stable monetary rules are needed. The monetary authorities can only control the amount of money, allowing the free market to ensure the smooth running of the economy.

In *The Quantity Theory of Money—A Restatement* (1956), Friedman said that monetarism looked like a „rigid and atrophied caricature” of the economic theory and this must be changed.

Unlike keynesists, monetarists disagree the idea that an increase of the public expenses can lead to growth and development.

There are different types of monetarism, the most important being the standard monetarism, represented by Milton Friedman.

The economist criticized the keynesian ideas, mainly the use of fiscal policies, emphasizing permanent income, monetary stability, free market economy with less state control. For him, economic growth can't be obtained through an increase of the money supply or through interest rate. He actually invented the concept of permanent income and the consumers, in order to achieve it, decided to limit their spendings. Here, he opposed the keynesian view of the state intervention on incomes and investments. Defender of the free market that can smoothly adjust economic activity and considering prices the instruments through which the resources can be allocated optimally, Friedman accused the state for excessive control of resources and for high taxes.

Friedman believed that floating exchange rates are the best option for inflationary countries, because it causes a reduction of the exchange rate, stimulating the imports from countries with depreciated currency. Doing so, the balance of payments will then be rebalanced.

The function of the money is more stable than of the function of Keynesian consumption. Money can be treated like a commodity. Friedman agreed Walras when

stated that money is neutral, meaning that, on long term, a change in the amount of money doesn't have any impact on prices or production. Friedman argues for setting monetary policy rules, saying that decisions should not be taken as a result of cyclical situations. On short term, an increase of the money supply will lead to inflation and also to a reduction of unemployment. This doesn't mean that Friedman appreciates the Philips relation! The situation is called money illusion and is not permanent as people are always looking for adaptations solutions.

Jaques Rueff, the representant of french or metalist monetarism thought that returning to the gold standard is the perfect solution for combating inflation. Just as Friedman stated, fiscal policies are not effective.

Brunner and Meltzer believed that money has an impact on employment and prices. Just as Keynes said, the followers of this so called budgetary monetarism, believed that monetary policy should be combined with fiscal and budgetary policies in order to obtain economic growth. They emphasized the budget deficit. According to Brunner, the control of both money and credit markets is needed.

Austrian monetarism studied the effects of an increase in the money supply at micro level. Friedrich von Hayek blamed keynesists for the emergence of economic crisis. They also consider that the central bank should be disbanded and the currency should be stable - as the solely chance of its existence. As mentioned before, Hayek is for fixed exchange rates.

Nobel Prize winner, Robert Lucas Jr., is the follower of the rational expectations monetarism. The decisions are based on taking into consideration all the elements. He agreed with the existence of the rules for monetary policy.

Monetarism didn't disappear with Friedman. His ideas were continued by James Tobin, Don Patinkin or John G. Gurley. James Tobin, who won the Nobel Prize for Economics in 1981 is a meritorious Professor of Economics at Yale University and he worked as an economic adviser under the Kennedy administration. He stated that both Keynesism and Monetarism had the same aims: increase of production, a low inflation rate, raise of productivity and employment and price stability. For him, the

demand of money is influenced by the return on capital. If the profit rate equals the return on capital, or the demand of money equals the money supply, then monetary equilibrium is achieved.

The adoption of an expansionary monetary policy means an increase of consumption according to Tobin. And an increase of the reference interest rate will impact the economy in a negative way. Banks will make credits expensive, so, the number of the borrowers will fall. As a consequence of this, the consumption will decrease and all the sectors of the economy will be suffering.

Without a reduction in money supply, an aggressive fiscal policy will have no impact on inflation. A reduction of money when inflation is high, or an increase of money when the unemployment is high, has the same consequences – stagflation.

If the keynesists were not convinced about the coexistence of unemployment and inflation, saying that high inflation (as a result of an expansionary monetary policy) leads to a reduction of unemployment, monetarists would not deny the simultaneous existence of these two phenomena.

An increase in money supply will reduce unemployment, but will increase inflation, as a decrease in money supply will increase unemployment and reduce inflation.

The monetary authorities will influence the money supply. The demand of money is established by the free market mechanisms. Free market is the solution for economic equilibrium, so, the monetarists will support it against keynesian state interventionism.

If money had an important role in the economy for monetarists, keynesists believed it had a secondary role, because the expenses impacted on real revenues without the influence of money, the economic activity being a result of global demand.

Ronald Reagan applied the ideas stated by monetarists to ensure macroeconomic stability of USA in 1980s. He firstly reduced public expenses, then reduced taxes by 25% over a period of three years, he liberalized businesses, increased defence expenses and stimulated bank credits for investments.

The level of prices is influenced by the money supply. In *Studies in the quantity of theory of money* (1956), Friedman specified that, on long term, a change in the amount of money is likely to lead to a change in the

same sense of prices, without affecting the level of production in any way. On short term, however, a raise of the amount of money leads to a double increase: of production and of employment. Friedman updated through this writing the famous quantity theory of money dating back to David Hume. He predicted that an increase – made by the American Central Bank, Fed – of the money supply with the same rate as GDP growth rate will solve the inflation problem.

From the monetarists point of view, money influence on short term both the prices and the economic activity as a whole. On long term, the impact is only on prices.

Money is one of the most important instruments of monetary policy and Fed is the most important institution that apply monetary policy, according to Paul Samuelson in *Economics* (1985).

Friedman said that the monetary authorities can control the amount of money on short term, through the interest rate. And in doing so, he doesn't understand why the actual Chairman of Fed, Ben Bernanke or the former one, Alan Greenspan, didn't use the opportunity to control the amount of money through other instruments, such as open market operations, not only through the interest rate! They didn't look at the entire system!

4. Conclusions

Throughout this paper we compared the results of two of the most important schools of economic thinking in terms of money and monetary policies.

Monetary policies are demand-oriented policies. They are responsible for the fluctuations in the consumption of goods and services.

Monetarism was a critical reaction of Keynesism. It appeared when the existing solutions couldn't solve the negative phenomena: inflation, crisis, unemployment.

The differences between these two schools emphasize the richness of economic thinking. They both influenced the economy and some of their ideas are still used in order to achieve macroeconomic stability and, not finally, price and monetary stability.

Keynes argued that the interest rate can decrease until full employment is achieved. For him, investments are the catalyst for the economy. He considered money has a secondary role in the economy, while the monetarists stated that money is the engine of economy.

Macroeconomic equilibrium could be obtained through global income fluctuations. Keynesists also believed that between the demand of money and incomes is a direct relationship, while between the demand of money and the interest rate is an inverse relation.

For monetarists, inflation is a monetary phenomenon, which appears as a result of an increase of the amount of money in the economy. The money supply is independent of production. It is an exclusive instrument of the monetary authorities. In other words, the state can influence the money supply.

In *Capitalism and Freedom* (1962), Friedman limited the role of the government in the monetary policy, allowing the individual to have maximum freedom and responsibility.

The state was responsible for controlling the money supply in circulation, but also, for achieving economic stability. On the other hand, the monetarists considered that the free market just be responsible for production, employment, consumption and price stability.

Monetarists tend to pay greater importance to the monetary policies than to the fiscal ones, in contrast with the Keynesian view, that believed that a two policies mix is ideal for production and incomes. There were economists, however, that criticized the policies mix. Lionel Robbins in *The Great Depression* and Joseph Schumpeter in *Depressions* argued that in times of economic depressions, the cumulative impact of the two policies is very low.

All in all, the benefit of coexistence and collaboration of the two types of policy is obvious and the macroeconomic indicators of the world economies are an evidence of that success.

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A Wicksellian Approach Over an Active Monetary Policy

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Abstract

Out of the two types of monetary policy interventions – along with passive ones – active interventions are better used in order to increase the performances of a real economy. This was the main field of focus for the Swedish economist Knut Wicksell.

The aim of this paper is to present a critical point of view regarding the quantity theory of money and the rate of interest – as the most important monetary policy instrument – and their implications in macroeconomic stability.

Wicksell contributed to the development of monetary policy by updating the old style fashion quantity theory of money, emphasising its strong points and especially its limits.

Key words: monetary policy, money, price stability, interest rate, economic growth.

J.E.L. classification: E52, E40, E31, O40.

1. Early times. The beginning and the „shift”

The period between the end of the nineteenth century and the beginning of the twentieth century is dominated by the economic thinking of the Swedish School of Macroeconomics. Among its leading supporters we mention: Knut Wicksell, Erik Lindahl, Karl Gunnar Myrdal, Bertil Gotthard Ohlin, Erik Filip Lundberg and others.

The Swedish School brought a new vision regarding the role of money in the real economy. The classics believed that money had a neutral role in economy, showing that no influence in the amount of money in circulation can't modify the economic environment.

This classical quantity theory of money will later receive a critical response from the contemporary quantity theory. According to this theory, money is an active part of the economy and, moreover, any change in money supply will affect the macroeconomic equilibrium.

This is the „shift” from a passive function of the money, where there is no influence in the economy, to the active function, where money is the engine of the economy. And this „shift” is the starting point for the development of the quantity theory of money by the Swedish School of Macroeconomics, whose work will be continued by Fisher, Keynes, newkeynesism and monetarism.

2. New challenges for Johann Gustav Knut Wicksell

The predominant thinking in the new vision belongs to Swedish Knut Wicksell, that will give in his writings an important role of the money in macroeconomic development.

Knut Wicksell began studying the famous classical quantity theory of money. Influenced by the ideas of neoclassics Gossen, Menger, Walras or Böhm-Bawerk, Wicksell, focused on explaining the monetary phenomena and especially, the relationship between the level of prices and the interest rate, as the main instrument of monetary policy.

The Swedish is in contradiction with the classical vision. If the classical school was seeing a reverse relation between prices and interest rate, Wicksell could not explain the situation that characterized the late nineteenth century economy: low interest rate and price levels, without that indirect relationship that classics thought.

Smith and Ricardo said that an increase of the interest rates means a rise in the cost of credits and therefore a reduction in the purchasing power of money and prices,

which, ultimately translates into economic recession. Conversely, a decrease of the interest rates would stimulate prices increase, a favorable situation for a period of economic expansion.

How could be solved this mystery? Wicksell considered this situation as an interesting challenge, so he focused on three main issues of his thinking: finding a solution for updating the classical view, the concept of natural rate of interest and the importance of the cumulative processes.

If the classics believed that the level of production had a direct influence over the level of prices or the purchasing power of money, Wicksell thought that monetary phenomena are responsible for this evolution.

That is the reason that, in 1898, the swedish economist published *Interest and prices*, where he analyzed the changes in price levels, that will be considered by Torsten Gardlund in *The life of Knut Wicksell* (1996), the „obscure element in monetary theory” [8].

The fluctuations of the bank loans are the „guilty” ones for these changes. If the interest rate of loans is higher than the rate of profit, we are witnessing the beginning of an economic recession, that will automatically lead to a decrease of prices. Prices increase and, therefore, macroeconomic expansion occurs when the interest rate of loans is lower than the rate of profit. Wicksell agreed that an interest rate equal to the rate of profit will not encourage any savings or investments, so people will not pay too much attention to where they place their money. In this case, the demand for loans equals the supply of savings, and therefore, we have equilibrium.

Arnon (2011) considers that Knut Wicksell is the best supporter of active intervention in monetary policy. He agrees saying that *Geldzins und Guterpreise* – or *Interest and prices* – is the first treatise on monetary policy wrote by the swedish. His work is a real masterpiece in a period when the monetary theory was developing really slow [2].

Wicksell analyzed the classical quantity theory of money, emphasizing the reasons to support it or not.

The swedish announced the results that he will build his theory on since the preface of his work. „The Quantity Theory is correct in so far as it is true that an increase or relative

diminution in the stock of money must always *tend* to raise or lower prices—by its opposite effect in the first place on rates of interest” [9].

Wicksell’s theory is based on Tooke’s ideas that didn’t combine into one theory, considering the famous quantity theory of money as being exposed to critics. It’s more like an alternative to the quantity theory.

It meant that the focus had changed: from the relationship between money and prices to the relationship between interest rates and prices. The main discovery of Wicksell’s theory is that the quantity theory of money doesn’t establish the level of prices! This is possible when there is no produced by money between sales and purchases. But, in reality, this gap exists, so money will influence prices!

Wicksell disagreed with the classical view when he said that the quantity theory of money contradicts reality. He later presents four assumptions in order to support his ideas [1].

Firstly, the theory seems to be just a simple theory, without having any relation with real economy, with practice, and with a system that holds individually the cash balances.

Secondly, the theory assumes that the velocity of money is stable.

Thirdly, the theory says that money, „in the sense of coin or notes” are at the base of all transactions, excluding the „true instruments of credit (ordinary bank credit, bills, cheques, etc.)”, which replace the use of money during recessions [2], [9].

And fourthly, there is a difference between money in circulation and money held in form of hoards or ornaments and jewellery.

Ahiakpor (1999) asserts that none of these assumptions is valid [1].

The natural rate of interest appeared as a consequence of production and depends on the rate of profit [2].

Unlike classics – that considered that an increase in the amount of money by the Central Bank, could lead to increased prices – Wicksell believed that banks reduce interest rates without cash injection. Everything is done in the absence of money, and only cheques and bank transfers are allowed [1].

According to Humphrey (1997), Wicksell's theory consists of three elements: "(1) a real shock explanation of monetary and price movements, (2) the complete absence of money (currency) in the hypothetical extreme case of a pure credit economy, and (3) the identity between deposit supply and demand at all price levels in the same pure credit case rendering prices indeterminate" [6].

And so, in a virtual economy, where there are no banks, a "pure cash economy", gold is the only standard. As a result, the existence of a constant quantity of gold will cause a proportional change in prices on long term.

Wicksell's theory is build on a credit based economy model. Before lending stimulation, the swedish emphasized the perfect equilibrium between the monetary interest rate and the natural rate. The credit expansion will diminsh the monetary interest rate and will rise the prices. This cumulative process will end when the two rates will be equal [2].

The interdependence between prices and the interest rate is perfectly illustrated by Wicksell: *„So long as prices remain unaltered the banks' rate of interest is to remain unaltered. If prices rise, the rate of interest is to be raised; and if prices fall, the rate of interest is to be lowered; and the rate of interest is henceforth to be maintained at its new level until a further movement of prices calls for a further change in one direction or the other."* [9].

But what does it mean a reduction of prices for a bank? According to Wicksell's rule, as mentioned above, the banks should decrease the interest rate. So, in this case, their profits will fall. A rise of prices will determine an increase of the interest rate. This will make bank clients unhappy. So, in both cases, the use of the rule means great losses of profits and customers.

3. The wicksellian two types of interest rate and the cumulative process

If the interest rate is lower than the rate of profit, investments will be stimulated against savings. This kind of focus will increase the demand for goods and services, which will lead to economic expansion and to an increase in prices. It is the so called

„inclination" or „incentive" to investment that Keynes would later analysis.

An interest rate higher that the rate of profit will encourage saving, will reduce the demand for goods and services, so will lower investements because they are not profitable anymore. An economic recession and a reduction of prices are imminent.

Wicksell showed this inverse relationship between interest rates and prices, in full agreement with the classical thought, detaching it from Marshall's view, who saw a positive link between money and prices. Wicksell's analysis based on interest rate pointed out the importance that monetary policy has in reducing inflation.

On the other hand, in *History of prices*, Thomas Tooke explained the direct relationship between interest rate and prices. Who was right?

Keynes later connected Tooke's thought with the Gibson's paradox that supported the direct relationship between those two.

The swedish believed that any increase of the money supply in circulaton is a consequence of an increase of prices. In his view, there is a monetary interest rate, which is the rate of loans that borrowers pay to lenders for the funds they receive, and there is another rate – a „natural" interest rate – which is the rate of return that the investor obtains by placing the cash held (the rate of profit).

Wicksell's conclusion is that, in monetary equilibrium, the savings S are equal with the investments I. And when this is happening, the prices remain stable. Otherwise, when there is no equilibrium, the prices will decrease or increase, depending on the evolution of the rate of profit; Keynes will dedicate an entire chapter to studying this situation.

So, when the monetary interest rate is higher that the natural rate, savings are stimulated bacause the investments bring a low profit and prices are falling. When the monetary interst rate is higher than the natural rate, investments will flourish, and so, there is an increase of prices. That is how the swedish explained the fall of prices at the end of the nineteenth century!

Wicksell agreed that once started, the monetary imbalances deepen as a cumulative and continous process.

The economist said that banks can diminish this impact. How can this happen? Wicksell believed that the impact can be reduced through monetary policy instruments.

So, if the monetary interest rate is lower than the rate of profit, the investments are stimulated, and so is the purchasing power of money. As a result, prices increase and investments continue to develop. This is an cumulative process of expansion that will expand over and over.

On the other side, when the monetary interest rate is higher than the rate of profit (natural rate), both investments and purchasing power of money fell. Of course, the level of prices will decrease and because of small levels of productivity, the investments are no longer useful. A cumulative process of recession begins.

Knut Wicksell took into consideration two factors that can end one cumulative process and even change it into another: the real factors – which are the real incomes that can rise or fall when prices changes – and the monetary factors, that are the most important ones in order to end the cumulative processes.

First of all, when we have an expansionary monetary policy, then the monetary interest rate is lower than the natural rate (the rate of profit); that increases the demand for loans and investments. Facing this, the banks will be tempted to increase the interest rate, that will further reduce investments and cumulative process of expansion will be transformed into a cumulative process of recession.

Second of all, during a period of saving, when the interest rate is higher than the natural rate, the demand for loans decreases, and the temptation of the banks will be to reduce the interest rate; this will amplify the volume of investments and a rise of a cumulative process of expansion [8].

Wicksell said that banks has an active and decisive role in achieving macroeconomic balance. The reversibility of the cumulative process is the solely attribute of Central Bank through the manipulation of the interest rate. This assumes that any decrease of the Central Bank reserves, will rise the interest rate and vice versa.

We conclude that if savings aren't equal with investments and the interest rate isn't equal with the rate of profit, the monetary equilibrium could not be restored, except through bank policy actions. So, the equality between these two interest rates is a compulsory condition for stopping the cumulative process [2].

4. Wicksell's theory opponents

Wicksell's theory did not remain unnoticed for too long. Many thinkers have tried to combat it.

David Davidson believed that monetary equilibrium does not always lead to price stability, as Wicksell stated.

Karl Gunnar Myrdal found out that equality between the interest rate and the rate of profit can not be a condition for achieving monetary equilibrium, because in this case there will be no profit at all, and besides this, the investments would fall and so, the second condition – savings equals investments – would be impossible to obtain. That is why, Myrdal considered that in order to achieve economic equilibrium, only the equality between savings and investments is needed. Like Davidson appreciated, Myrdal's monetary equilibrium is not equivalent to price stability.

Bertil Gotthard Ohlin said that the monetary interest rate depends on the price changes and on the bank policies, without being an independent variable, as Keynes will see it over fifty years [8]. The monetary interest rate is a *sine qua non* condition for reducing the cumulative processes' effects of expansion or recession.

5. Conclusions

Knut Wicksell considered the active intervention of monetary policy as the most important tool for obtaining the best performances in real economy. That is why all his work was focused on explaining how can an updated, new version of the old quantity theory of money can influence the macroeconomic stability.

The quantity theory of money shows the indirect relationship between money and the purchasing power of money or in other words the positive relation between money and prices [10]. So, the interest rate has a decisive

role in explaining the relationship between money and prices in Wicksell's theory.

Although the direct relationship between the quantity of money and prices represents the particularity of the quantity theory of money, Wicksell couldn't be hundred per cent sure if this theory of money is „in actual fact true” [9], [10].

Money is considered by Wicksell as being a medium of exchange, as well as a symbol of value or a „store of value” [2].

Price fluctuations appear as a result of a cumulative process when there is a gap between the monetary interest rate and the natural rate. When the monetary rate is higher than the natural rate, prices increase. In the other case, prices fall. The banks are responsible for price increases because they fix a rate for loans lower than the natural rate [1].

The Swedish believed that banks have an active role in the economic process. They can provide the cumulative process reversibility.

On one hand, a reduction in bank reserves will lead to higher interest rates, stopping and even changing the cumulative process of expansion.

On the other hand, a better financial situation of banks will determine a decrease of the monetary interest rate, transforming the cumulative process of recession into an expansion one.

Knut Wicksell also pointed out the difference between the monetary interest rate and the natural rate. Beenstock and Ilek (2010) studied this phenomenon and showed – on the case of Israel – that Wicksell's Dichotomy is true. So, the monetary interest rate is dependent on the natural rate, the reverse statement being false [4].

He appreciated that the equality between savings and investments is not automatically established and, that in case of discrepancy between those two, so called cumulative processes occur, and so, the only way we can restore the equilibrium and stability is through bank policy actions.

Wicksell enriched the old quantity theory of money, emphasizing the impact of the interest rate in achieving the balance of global demand, as a result of money supply evolution. For him, monetary policy has an active role in the fight against inflation, stressing the influences of savings and

investments in obtaining macroeconomic stability [7].

6. Acknowledgement

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Actual Application of the Intelligent Systems and their Implications in Financial-Accounting Field

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Abstract

Like many other modern information technologies, intelligent agents and multiagent systems are used successfully in many economic areas as electronic commerce, marketing or company management. But, technology intelligent agents, multiagent systems by default, can be successfully applied in finance and accounting, benefits being important. Thus far it appears that there is scope for application of this technology, with the aim of improving the accounting activities. In addition, based on fundamental characteristics of agents and multiagent systems, it should be described cases in which agent technology paradigm can be used to bring more competitive field. In other words, the agent technology has to offer in addition to other information technologies work and how an organization can be improved by adopting in practice. Thus, this paper aims to achieve insight into the specific field of intelligent systems research and present the main opportunities and benefits that they can create their adoption in practice.

Key words: intelligent financial-accounting systems, multiagent systems, agents, agent methodologies, workflow.

J.E.L. classification: G11, G17, M15, M21, M41, M51, O16, O33

1. Introduction

Today, there is recognition in the business community about the importance of knowledge as a critical resource for any organizations. The main purpose of knowledge management is to help organizations create, share and use knowledge effectively to achieve better decisions and to increase of competitiveness. In order to run business effectively an organizations needs more information about competitors, partners, customers, and also employees as well as information about market conditions, future trends and much more. There are several products and technologies available on the market that support advanced Business Process Management and advanced decision support. Any organizations expect intelligent applications to support wide range of functionalities: analyzing all partners, building and analyzing business strategies, developing customer-specific products, carrying out targeted marketing and predicting sales trends.

Amount of documents in the web, enterprise data repositories, and public document management systems with documents are growing. Also, the virtual world presents many challenges and opportunities for accounting firms. The Internet has proved exponentially in scope and speed, representing an important source of information for a growing range of users. Many beneficiaries are employees of accounting firms interested to serve as solid bases.

Knowing the properties and characteristics of agents and multiagent systems, it is important to present situations in which agent technology paradigm can be successfully applied and is likely to lead to increased business competitiveness. A first perspective is the fact that the use of agent-oriented programming in designing and developing information systems specifically dedicated to financial accounting. Practical agent-oriented programming is a dynamic extension of the programming object. Another perspective is that the vision of the enterprise as a multiagent system, multiagent vision in which the system of accounts is a concern of the field's leading researchers. Using technology for teaching, training and self, in accounting, is also subject to current concerns of professionals, because of the opportunities it may bring.

2. An overview of agent-oriented methodologies

Jennings and Wooldridge researchers say the benefits of using agent technology should be judged by two directions [9]:

- the ability to solve new types of problems;
- the ability to improve the efficiency of information technology solutions.

Currently, due to evolution, but also the benefits created, it is considered that agent-oriented technology is the highest level of abstraction in shaping their organizational and information systems. Agent-based modeling is a powerful simulation technique in which a system is modeled as a collection of autonomous decision-making entities called agents. Many of the actions performed by users can be submitted for resolution by different software agents. Using agent technology in information systems requires that we have different types of collaborative agents, endowed with the objectives of each activity, applying standard procedures and a set of information and knowledge to be automatically executed tasks.

The main characteristics of agents, which can be differentiated from other software entities, are autonomy, the ability to perceive, the ability to understand and ability to act in their environment, namely the possibility to

cooperate with other agents for solving complex tasks.

Intelligence agent is given the amount of knowledge that is provided, plus the capacity for learning and reasoning agent that can flourish in order to achieve behavior-oriented goals to be achieved. Possible uses of agents in an information system are related to searching the collection, analysis, integration and archiving information, inform users about the availability of information about areas of interest, negotiation for the acquisition of information, services and supplies, explaining the relevance and quality of information, learning and adapting to changing environmental conditions in which it monitors.

The literature has presented several methodologies for developing multiagent systems, with emphasis on formal or semantic representations [10]: Gaia, PASSI, MASSIVE, MaSE or AUML. Methodologies for agent-based systems development offer some analysis and design stages. The objective of the analysis phase is to understand the system and structure under which the organization is treated as a collection system of roles, which have certain relationships. For example, the Gaia methodology using two models: the model roles and interactions. Roles model identifies key roles in the system, while that of interactions and dependencies express relationships between different roles. Later, during design, analysis turns models into three models: agent model, which identifies the agent types that will be implemented in the courts system and agent for each type, services model, which identifies the main services called the execution of roles by agents and knowledge model, which documents the communication links between different actors.

Taking into account the above we can say that all methodologies have two well defined purposes, which ends with getting two models: an external model that captures the identification of types of agents, their goals, responsibilities, interactions between them and the definition of coordination protocols for each type of interaction and an internal model which aims at defining the architecture for each individual agent, that the definition of actions and data structures identified.

The internal model consists of an agent system and relations between them. Complex modeling can incorporate even artificial neural networks, genetic algorithms or other learning techniques to allow the representation of the real world. Each multi-agent system that aims to shape the activities and processes of an economic entity must simulate its structure, to be able to adapt to structural dynamics, interactions and new targets. Company structure determined implicitly, certain activities must be modeled by agents. Consequently, behavioral model of an agent must be understood and described in relation to the social structure of the company and its general objectives. Thus, the agents are individual entities located in a structure that reacts to the environment and cooperate with other agents in the environment, to achieve common objectives.

Workflow technology is one of those technologies that can provide a method of modeling and controlling complex business processes within an enterprise or between organizations. Although it is a recent paradigm, management of workflows technology has become in recent years very popular in commercial and research world. Workflow management technology advantages include an explicit definition of processes, rapid response to environmental changes and easy tracking operations.

Currently, some researchers believe that a combination of multiagent systems technology with workflow technology will be able to offer complete solutions for a wide range of specific financial accounting because, unlike the workflow technology, the technology can offer flexible solutions, distributed and intelligent for business process management.

The application of agent technology in the management of a business process can lead to precise definition of it, so that all coordination responsibilities and relationships to be as clear. In addition, workflow management system allows easy integration of applications on different platforms, in well-defined business processes.

3. The benefits and implications of information agents in web reporting financial accounting

With the development of artificial intelligence technology, management and informatics researchers have increasingly shown interest towards the use and adaptation of new technologies in the economic field, especially in finance and accounting. A good example is development of XBRL standard for financial accounting reporting, intelligent reactive agents that use technology that can be made based on financial and accounting expert systems.

As is well known, intelligent agents technology uses three basic pillars of software agents, which add the ability to make plans and set goals, to reason about the effects of actions, to gain knowledge and enhance their performance through learning. The architecture of intelligent agents present is, in essence, object-oriented and the staff is basically an extension of an object. Objects encapsulate data (attributes) and procedures (methods). Supplementing his intelligence with the help of technologies such as expert systems, fuzzy systems, neural networks and evolutionary computation, an object becomes an intelligent agent. Intelligent agents can act autonomously in the background of the main application, and to perceive the environment through sensors and act upon it, to perform tasks and optimize information retrieval, monitoring and notification, information filtering, data mining, training, configuration, etc., the whole range of tasks in a robust e-commerce environment.

Therefore, an intelligent agent operates as part of a cooperative problem solver community, including human users. An agent has its own roles and responsibilities. Multiagent systems are essential for entering the digital market; taking into account the dynamic and simultaneous roles a single organization should play in a given market (an organization must be a broker, a supplier and retailers simultaneously). Behavior of intelligent agents (pa tasks they perform and how they do it) can be changed dynamically, thanks to the influence of learning or other agents; a salesman who has just lost several opportunities would, of course, to change

their behavior the next time, by resorting to other agents able to help him.

Thus, E&Y CART (Center for International Business Education and Research) has developed a web site address <http://www.eycart.ukans.edu>, designed as a resource center for professionals in accounting and auditing. Their specialists have created an intelligent agent called FRAANK (Financial Reporting and Auditing Agent with Net Knowledge) which obtain financial and non-financial information of 10 million reports of public companies brand [2]. In order to maintain compatibility with the latest technological advances, FRAANK incorporate XBRL language. Thus, the Software used by millions converts named XBRL FRAANK reports in text format version of bookmarks, based on the U.S. XBRL taxonomy. XBRL allows the publication, exchange and analysis of complex financial reports and dynamic business world of the Internet's interactive. In addition, the standard provides a common platform for accounting and reporting processes sphere facilitates communication of financial data among users internal and external information. It also marks all financial and accounting information required by all categories of users, both internal and external decisions.

The accounting field has changed over last years. Accounting organizations have increasingly been using technology to obtain important benefits. In this context, they are developing accounting data management services to all support their activities. Input for such services comes from data sources that are available today on the Internet. In our opinion, the most important is the Securities and Exchange Commission's EDGAR (Electronic Data Gathering, Analysis, and Retrieval) Internet repository including corporate filings with the SEC. Many Internet official sites provide public access to financial data, analysts' forecasts, news of business relevance and more.

Organizations need give all know, in real time, what chances are in competition. Investors and their management require information and knowledge they offer much more than the traditional annual financial audit. Accounting firms can not respond in real time their customers are automatically at a disadvantage compared to competitors. As

a result, the phenomena of virtual global economic environment is the emerging new model of financial accounting audit

Such phenomena have been studied intensively and led to the adaptation of financial accounting, management and auditing, education and research, accounting, business accounting firms to new challenges. The entire accounting profession is involved in developing strategic plans to identify and implement solutions to ensure the introduction of new information technologies in the new accounting services performed on existing key skills that will develop. Audit services revolve around the need for confidentiality, authentication and accounting data integrity, accepting the demands of customers trust the profession, conducting transactions in the virtual environment conditions.

Under these conditions, many of the accounting activities, including auditing, requires involved in the virtual environment, operators can realize intelligent agents. In the case of audit, intelligent agents can provide a range of qualifying activities that add value. The most interesting example is Edgar database used agent commission Edgar Security and Exchange Commission (SEC) in U.S., reports to the current listing of companies.

Intelligent agents are competent and give customers confidence. Auditors and intelligent agents can extend the quality dimension to include verification of the confidentiality, integrity, completeness and timeliness of information in the virtual environment. Such services, focused on security, competition is an extension of the basic financial verification is already practiced in the profession of auditor. Offering auditing services and virtual accounting firms will increase their prestige and their clients will have greater confidence in them. It services such as mediation, automatic search of information, automatic reporting, translating from one language to another, collecting information required audit, review the default implementation of various different procedures for different analyses.

Edgar Agent is a first step toward permanent financial audit and financial audit to ensure success in the virtual world. It is an intelligent agent able to assist access to

financial and accounting information and its management. He seeks the SEC EDGAR database carrying information about a particular corporation and automatically lists the necessary audit reports.

Intelligent agents can provide information not only financial, but also the results of various calculations or analysis about a company can even arrange reconciliation between companies and customers to add value to the services for accounting firms. They can provide valuable information to base decisions on investment, privatization, nationalization, merger or bankruptcy trigger. In turn, accounting firms may allow their customers to gather information and to participate in the virtual environment, even to make profit from providing privacy and authenticity of transactions as their conduct under the control of intelligent agents. XBRL FRAANK agent, described above, is also the result of research using multiagent technology in accounting.

FRAANK agent can be seen as a tool for collecting financial data records of economic entities that are available on the Internet. The agent uses this data to provide more relevant user groups interested. Once you extract the information agent, the data can be processed and combined with other artificial intelligence systems to transform them into knowledge. In this way, real-time decision-making process becomes more efficient, thus facilitating more competitive organization. In terms of interaction, agent FRAANK communicates with users through a graphical interface. As the design agent, it should be noted that it consists of several sub-agents corresponding information sources available on the Internet that agent uses in real-time. FRAANK agent architecture allows agents to separate clearly from the end-user interface. The same architecture allows them to be separated and the sources of accounting knowledge stored in relational databases, too. In present, the sources of accounting knowledge database containing synonyms for specific terms sheet.

Users of this agent will be interested in getting and other relevant information that are not currently available through the agent. This information can be found on many web portals. Related future researchs aimed to incorporating new FRAANK agent and sub-

agents intelligent mechanisms to facilitate attainment of these objectives.

4. Concluding remarks and future researches

In recent years we witnessed a real revolution in computer science and especially intelligent technologies. One of the main reasons behind this expansion is due to the huge amount of information that the Internet offers today and can be harder analyzed and processed only by traditional means. Thus, modern information technologies have been gradually carried out and today they are an indispensable tool for decision players of an organization's, because all their work is based on an analysis of all information specific to their business and adopting the most appropriate decisions based on them. Thus, advanced technology, intelligent systems, is today able to propose solutions to cover more and more fields as the financial and accounting. In addition, this technology may be required and recommended for adoption as a solution of complex problems to support user tasks and to facilitate subsequent decisions that make the most efficient activity of economic entities.

Also, in this paper was briefly described an intelligent agent (FRAANK) developed and currently used to enable better decision making by collecting and analyzing financial information are available online accounting firms specialized sites. It is an intelligent system that allows players the decision to use it from anywhere where there is Internet access; accounting and financial information will always be as current as the data sources that are available online. Thus, it provides opportunities for more effective analysis of financial accounting information.

FRAANK agent practically opens new perspectives for research in financial reporting and on-line auditing company. Research directions provided by the studies undertaken to date will be extended and refined, so that systems are able to extract and analyze financial data and key non Edgar databases or other information sources.

In this context, this paper tried to highlight the importance and benefits of smart technology can provide finance and accounting. In addition, we believe that their

use is able to guarantee to obtain conclusive information, correct, so that decisions leading to improved activity of each company. We believe it is important that specific research to continue and be supported more intensively by the scientific community in the finance and accounting because only in this way a company will be able to cope with increasing competitiveness and increased competitive environment.

Also, combining with the agent-based systems that enable web reporting accounting financial information (XBRL-based products) will bring significant benefits and will open new opportunities for information analysis.

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Post-december Developments in Public Expenditure for Education

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Abstract

Public expenditure with education presents contradictory developments, in the post-revolutionary period. This article shows the changes in budgetary allocations for education and teacher wages.

Key words: education, wage, public spending

J.E.L. classification: H41, H52, I28

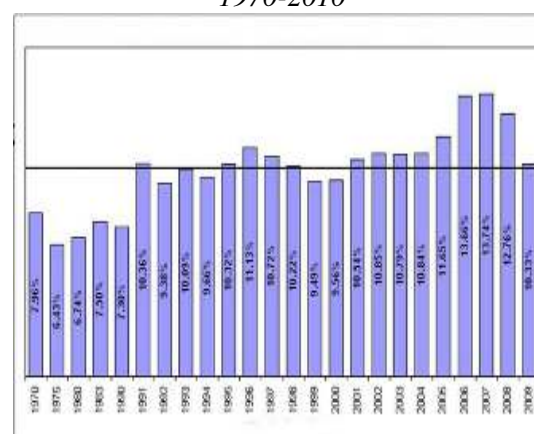
1. Introduction

The results of Baccalaureate examination from this year have highlighted a reality that should give many people thought: the pass rate fell to its lowest level after the Revolution; students achieved significantly lower grades than in previous years; the number of students removed was higher than in 2009 and 2010 combined, and the list could go on. Although these results are due and how the examination was held (security measures was extremely hard) it is evident that the level where it is now the educational system is quite low, many believing that the main problem is money. In other words, since the system is underfunded and teachers de motivated, we cannot have too many claims. Meanwhile, according to a study by IRES, the past education system is idealized by the Romanians: 86% of respondents believed that current students are less prepared than the past, the present examination system is actually considered ineffective.

2. Evolution of education budget

Therefore, the general impression is that the level of graduates decreases continuous, but this happens even though the budget for education is much higher than before 1989.

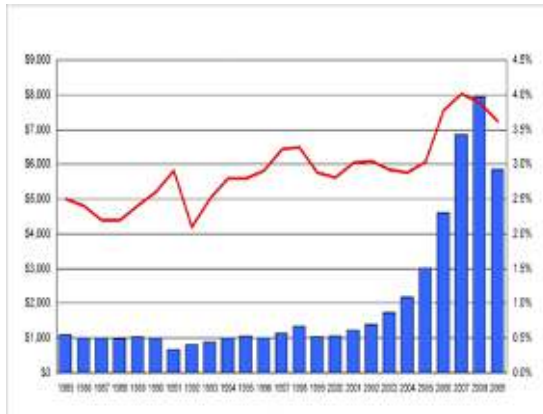
Figure 1 Evolution of Education budget as percentage of total public expenditure (%) 1970-2010



Source: National Institution of Statistics

According to World Bank data, in 1970, the Education budget represented 7.96% of total spending, and then dropping below 7% rate in coming years. In 1991, it reached at 10.36%, in 2006 and 2007 exceeded 13%, for 2009 to reach 10.33%. Media in all these years was approximately 10%. Further, the Education budget as a share of GDP ranged between 2.2% and 2.4% in the period 1985-1989; the percentage increasing to over 3% after the Revolution, and reaching a peak in 2007 4%. Note that, in reality, education has never 6% of GDP!

Figure 2 Evolution of Education budget nominal USD period 1970-2010



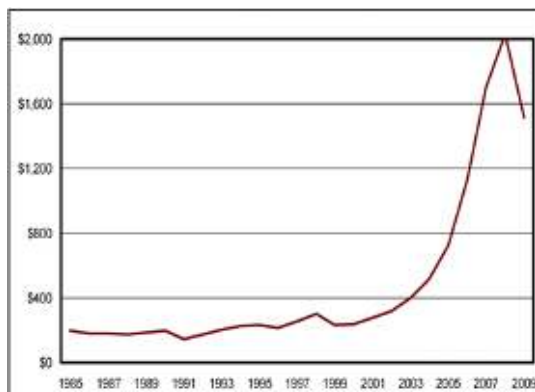
Blue The Education budget
Red -% share of GDP

Source: National Institution of Statistics

In absolute numbers, the last 5 years of communism, the Education budget was 0.9 to 1.1 billion dollars (1.8 to 2.3 billion dollar in 2010); in 2007 reached \$ 6.8 billion, and in 2009-5.8 billion.

What follows from here? It follows that Romania spent more money, while the general impression is that the educational act continuously decreased.

Figure 3 Funding per pupil / student 1985-2010



Source: National Institution of Statistics

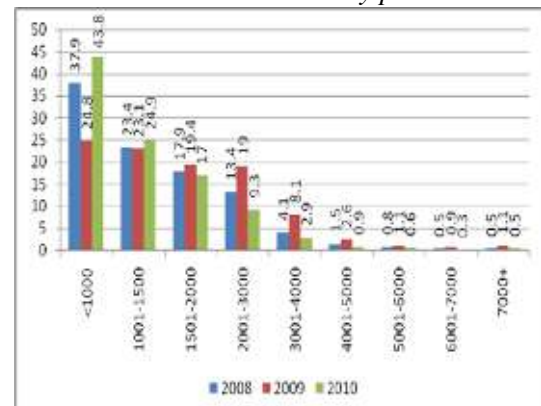
In 1989, the school population includes 5.6 million people, and Education budget was \$ 1 billion, average annual funding per pupil / student amounting to about \$ 185 so (325 U.S. dollars in 2010). In 2009, the school population has dropped to 4.2 million people, and the Education budget increased to \$ 5.8

billion; the average funding of \$ 1,400, a level of over 7 times higher than in 1989.

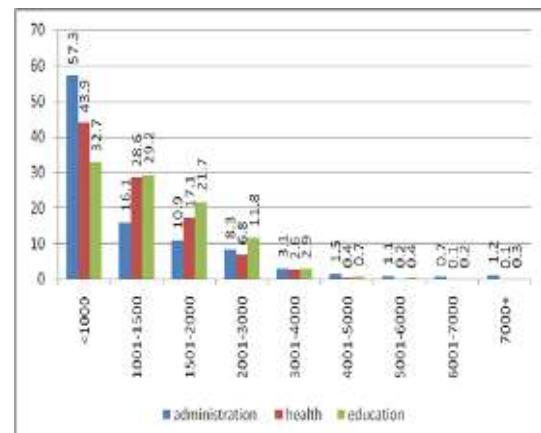
3. The distribution of public sector wages

In October 2010, the total number of full-time employees who worked in Administration, Education and Health was 888,165, down 61,653 people from October 2009, and 20,890 people from October 2007. From these, 20.3% made a gross earning less than 701 lei, 43.8% recorded a gross earning less than 1,000 lei, while 85.6% earned less than 2,000 lei gross. For comparison, in October 2009, before 25% reduction in wages, the share of those earning less than 1,000 lei was only 25%. Distribution of employees by installments to win the last 3 years has been joined in the graphic 4.

Figure 4 Employees' distribution of income installment 2008-2010 and by public sectors



Source: National Institution of Statistics



Source: National Institution of Statistics

By public sectors, the figures look like this:

Public Administration

In this sector, in October 2010, 282.991 people were working, compared to 325.909 in October 2009 and 286.256 in October 2007. The distribution portions of the employees gross salary shows that one-third of them earned less than 701 lei gross and 57.3%, 1.000 lei less gross. In other words, nearly 6 in 10 full-time employees charged after a working month less than 741 lei net (180 Euros respectively). Moreover, do not forget that the average pension is 730 lei, which means that most employees from Administration earn less than an average retiree. In October 2009, the percentage of those earning less than 1,000 lei was 40%. At the other extreme are those who earn more than 7,000 lei gross, increasing their number from 4967 to October 2009, at 5158 in October 2010.

Education

The number of full-time employees in October 2010 was 350.526, down 9112 from October 2009, and 23.781 from October 2007. From these, one third has lower gross wages of 1,000 lei, while 72.6% had salaries of less than 1,500 lei. In 2009, before the pay cut, the share of those earning less than 1,500 lei was only 37.5%, which means cutting wages by 25% in this area has a total payroll of over 80.000 people.

Health

The number of full-time employees was 254.848, down 9623 from October 2009 but in 6156 compared with October 2007. In employees' share of income installment, 43.9% of the employees earn less than 1,000 lei, while 72.6% less than 1,500 lei gross; at the opposite side being located just 345 employees who gains more than 7,000 lei gross.

The above figures show that in public sector, the wages do not generate large costs to pay staff, but the number of employees is doing that. The expenditure on staff salaries budget is 8-9% of GDP, compared to 5-6% in Western countries and that wage growth does not lead to a further unbalancing the budget can only be done while reducing the number of employees.

But what the things looked like under communism, when egalitarianism was state policy? In 1986, average net salary per

economy was 2855 lei, and the Bureau International Labor Organization (ILO) data shows that, except for those who occupy senior the highest net wage income were obtained from university professors - 5620 lei per month, or twice the average wage.

Tabel 1 The wages in communist era

Net Salary 1986 lei / month	
The average net wage in the economy	2855
Administration	
Executive at the central government	4230
Local government executive	3200
Computer programmer	3680
Stenographer	2100
Counter clerk	2450
Education	
Professor	5620
High school and middle school teacher	3060
Teacher	2290
Educator	2255
Health	
General Practitioner	3520
Dentist	2690
Technician	2225
Medical	2150
Ambulance Driver	2040

A high school teacher earns less than 3,000 lei net a little over 3,500 lei general practitioner, an ambulance driver about 2,000 lei, a developer had a net salary of 3680 lei, 2100 lei and a stenographer.

4. Conclusions

In public sector, before wage reform law there were huge differences between the extreme highest salaries was 72 times higher than the lowest salary. Now, the ratio between minimum and ranking coefficient ranking coefficient used for calculating the maximum base salaries is 1 to 15, still above the level before 1989. As for the overall economy, on the Communist time, the differences between salaries were not very high, but this is because no private environment existed and wages were not freely determined market. In Romania of today, the problem is not the top, where

hundreds of thousands of people collected over 1,000 Euros net per month, but the base, where millions of employees work for less than 1,000 lei a month.

The above figures show that the main problem is not money but how they are spent. Also, frequent changes in legislation and lack of coherent educational policies are still two of the reasons why the system has reached the low situation. But we have an indicator showing that money is not the problem - in 2000, the PISA tests, in the "reading" Romanian students achieved an average score of 428 points. In 2006, the score dropped to 396 points, although between 2000 and 2006, the Education budget increased from \$ 1 billion to \$ 4.6 billion (or 2.8% of GDP to 3.77% of GDP). In PISA 2009, the average score was 424 points below that of 2000, although the budget was almost six times higher.

Of course, when talking about education, the increasing funding results do not occur overnight, but in a long time; and in our case, the significant increase in funding since 2000 not only led to no positive result, but we are probably at the point of minimum of 20 years. This minimum can be a starting point.

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People Management Efficiency. New Challenges in the Current Economic Context

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Abstract

The most important resource that managers have available in the company is people. Managers know that people make the critical difference between success and failure. The effectiveness with which organisations manage, develop, motivate, involve and engage the willing contribution of the people who work in them is a key determinant of how well those organisations perform.

In 2008, when we started talking about the economic crisis we realized that the approach of business as usual could not work. We all need a new approach to business: out-of-the-box, based on creativity, innovation, flexibility and adaptability to market needs and clients - what differentiates leading companies from the rest.

*There are many companies who understand that business performance and efficiency are the result of human transformation and development. Therefore, these companies have adopted a new style of management: **management coaching style**.*

Key words: economic crisis, people management, management coaching style.

J.E.L. classification: M54; J24; O15

1. Introduction

It is widely accepted that today more than ever, managers, through their art and science to lead others, are called to solve the problems facing the economy at the beginning of the third millennium, and on this basis, to solve many social problems of

humanity.

Decisive force influencing management in the current period is international competition, globalization. Globalization has determined that the trade be made in complex interconnected systems, increased standards regarding quality, cost, productivity and response times. Globalization has led to a growing need for innovation and service consumers.

The business world moves today in a very rapid pace and less ordered. This has a direct implication: in any business, managers need to become extremely efficient. Even in Romania, gone the days when businesses grow with the market, without a very clear intervention of management, in terms of business performance and market exploitation. It seems that these days will not return anytime soon.

In terms of managerial efficiency, the circumstances compel managers to become as effective as possible. A truly efficient and effective management, professional managers exercised, is the main "supplier" of performance in areas managed. If efficiency requires the existence of effects in relation causally efforts to achieve their objectives is to achieve efficiency and exercise managerial tasks under temporal and qualitative pre. efficacy is focused on achieving specific performance and general management.

Efficiency implies the existence of effects in relation to efforts to obtain it. Effectiveness is to achieve objectives and also to exercise of managerial tasks, in the temporal and qualitative pre-conditions. Effectiveness is focused on achieving performance management.

What factors most influence company performance and what can managers do to ensure the effectiveness of their companies? The answers to these questions are, in reality, complex because of the vast number of factors that may influence company performance. These include external factors such as market share and market environment, as well as internal company factors including organizational culture, management styles and human resource management practices. Recently, the increasing level of competition worldwide has led managers and researchers to focus even more sharply on these questions. Reducing labour costs in some countries, particularly in the newly industrialising countries, has raised the level of competitive threat for countries which have been industrialised for some time. There is an increased capacity for diversity and customisation inherent in microprocessor-based technologies, eliminating the cost advantage of mass production. Companies must now compete on the basis of cost, quality and customisation. The pressures on managers to manage the complex and varied influences on company performance are greater than ever before.

In 2008, when we started talking about the economic crisis we realized that the approach of business as usual could not work. We all need a new approach to business: out-of-the-box, based on creativity, innovation, flexibility and adaptability to market needs and clients - what differentiates leading companies from the rest.

The most important resource that managers have available in the company is people. Managers know that people make the critical difference between success and failure. The effectiveness with which organisations manage, develop, motivate, involve and engage the willing contribution of the people who work in them is a key determinant of how well those organisations perform.

This need for increased efficiency in the field named by major business schools, "people management" can meet in a very direct way: practicing a new style of management, a style that is generating options and solutions.

There are many companies who understand that business performance and efficiency are the result of human transformation and development. Therefore, these companies have adopted a new style of management: **the management coaching style.**

2. Why management coaching style?

Good economic results alone are no longer adequate. In addition to generating results, organizations have become a values workshop, helping employees develop a meaningful life.

Feedback is an essential component of any team. No matter what level – peer to peer, manager to employee, or business owner to contractor – the ability to both give and receive feedback defines the ability to work effectively as a collective and determines the long-term direction of the team.

Work responsibilities continue to crossover into multiple departments, as projects require knowledge and support across a range of disciplines and experiences. As a consequence, our work environments are becoming more team based and less individualistic.

Adopting a new way of thinking about the feedback process is important. Sports offer useful parallels to management; the one constant of any athletic team is the coach. The coach is on the sidelines, watching all the moving players while staying focused on the bigger picture. As needed, the coach pulls players aside to offer specific feedback that is necessary in the moment, including precise actions or questions to help the player unlock new levels of performance. Sometimes the advice is for the player's own development; other times it's for the team's benefit.

Managing people in a work environment is more complex. Managers' role isn't exclusively to oversee the team member's responsibilities, but to also carry out their own. The manager must achieve specific objectives, maintain his responsibilities, and coach his team.

But many neglect their supervisory responsibilities, like offering continual feedback, guidance, and assessments, and instead focus solely on their own work. These managers and business owners secretly

wish their team and employees would manage themselves. This wouldn't work for a sports franchise and it doesn't work for business management either.

The profile of the "new" manager is distinguished by thinking and acting like a **coach**. [5]

Already there are many organizations that have added the concept of "coaching" in their management development plans. Managers can have a significant impact on teams and organizations when adopting coaching as a management style. Management by Coaching is much different than traditional command and control-based management, and distinctions are easy to follow: collaboration replaces control; to delegate responsibilities not delegated tasks; talk less and listen more; fewer orders, more questions; give specific feedback rather than judgments. [6], [7]

In the 1980s, John Whitmore and his colleagues developed coaching as a management concept from sports psychology. [5] Sports psychology is a successful performance technique used in the athletic world to enhance mental and physical performance. The coaching management style is based on sports psychology techniques.

Using the coaching style also provides benefits to the manager and organization. It helps improve performance, improves manager's relationship with employees, increases the ability to meet organization goals, increases staff retention, and over the long term makes the organization more effective because the knowledge and skills required to operate an organization effectively in today's volatile environment are constantly being updated.

One misconception about coaching is that the manager's responsibilities as a supervisor no longer exist. [5] Coaching requires developing skills to increase the employee's level of performance vs. checking and monitoring the work consistently. Employees may think they no longer need to listen to their supervisor; however, coaching means they are held accountable to a mutually agreeable performance plan.

3. How to develop a management coaching style

Specialists found seven practical tools to assist managers develop a coaching style. [1]

Training through Role Playing

Coaching managers readily take their entire extended management group on two-day training workshops. Participants work in small project groups of 6-9 members throughout the workshop.

The object is to get to know each other, build networks, and generate team spirit. Much of the time is used on role playing, based on real challenges and opportunities facing the managers.

The problem can be a difficult colleague, a lack of personal efficiency, an imbalance between working life and home life, and, not the least, being able to give feedback without putting the recipient on the defensive.

Managers work together in groups of three during the role playing itself: One owns the problem to be solved. The second manager is the coach, asking good questions and suggesting various courses of action. The third plays a constructive "Devil's Advocate". The participants learn from each other, solve concrete problems, and build a culture.

Focus and Energy

The coaching manager maintains a solid grip on the entire workshop. She presents the results achieved by the business unit, visions of the future, and what the managers should improve on.

Top managers are very clear on their expectations; for example, that managers should become even better at valuing their colleagues and inspiring them to be creative.

Nevertheless, participants are encouraged to find their own way, to get better acquainted with themselves, and to be themselves. They need to take control of their own lives. These signals are the basis of the training itself.

A coaching manager exudes a strong belief and confidence in the ability to achieve bold goals if everyone helps each other. This generates optimism, enthusiasm, and self-fulfilling prophecies.

Values and Meaning

It is important to work on concrete skills and, even more importantly, the core values that govern actions. Central values include: altruistic egoism, will power, belief in the future, self-discipline, and emotional intelligence.

Individuals are challenged to be aware of their core values and how these values affect how they think and act. When fundamental optimism, enthusiasm, and joy are lacking, it doesn't help to be good at praising, delegating, and giving feedback. Your body language will give you away.

We like what the manager says, but not the way she says it. This does not generate trust and credibility. It is not enough to have high ambitions for creating value in the organization. Employees must also experience their workplace as a workshop where they can develop themselves and learn to live a full and meaningful life.

Employees must experience success and personal rewards at work. Rewards can include experiencing good team camaraderie or having more time to think about development.

Super Management and Mastering - Managers shouldn't try to control what cannot be controlled. Ultimately, it is up to the individual to decide what to think and how to act. Employees must be directed to manage themselves. They must be competent in their own self-management.

Individuals often have resources and "hidden" talents, but many ruin their chances with negative thoughts and negative comments about themselves.

"I am not really that competent, the others have just not realized it yet." Good self-management entails asking the following question: "Am I telling myself the truth or have I just convinced myself it is the truth?"

To achieve good self-management, individuals need good helpers who can support and challenge through central questions. The object is to become competent in cognitive leadership, in other words, direct our thoughts. If we don't take control of our thoughts, our thoughts will take control of us.

A coaching manager provides their employees with positive experiences of mastering, so they can develop a belief in

their ability to master.

Manager as a Role Model - A test of good leadership consists of two questions. First: Is the manager credible? Does the manager back up her talk with action? Secondly: Does my boss wish me well? Does my boss want me to succeed?

The Manager must be a good role model. She participates in the role playing, just like everyone else. The manager "forgets" her position and is one of the most enthusiastic to discuss. She considers her strengths and how she can be even better.

Talking openly about her weaknesses may be used against her in the future. Nevertheless, it is so important to demonstrate trust that it is worth the risk. The manager is not afraid of feedback, even if it is not positive. This enables learning and development.

Tackling Paradoxes

Leadership is about balancing scant resources and differing interests with wise decisions. When dividing up a cake, everyone should feel that they got a slightly bigger piece than everyone else. One thing that sets competent managers apart from less competent managers is how they relate to incompatibilities, dilemmas, and paradoxes.

Unpopular decisions must be made, while still maintaining a good relationship with the employees.

Leadership is situational. Managers must understand when coaching can work and when it will not.

Simplicity and Story Telling

Managers convey a message that employees can easily understand. Often, this can mean quoting others: "If the only tool you have is a hammer, you tend to see every problem as a nail." (Abraham Maslow) "It takes two to know one." (Gregory Bateson)

Often, a message can be a metaphor like: dark clouds on the horizon, but we are well prepared. Often it can be personal stories of success or failure, but learning constantly.

4. Conclusions

Coaching may not always be suitable to every business situation. For example, if it is using the authoritarian style and have a time-bound project, coaching may not be appropriate because it takes time to

implement and produce significant results. The style of management used in any given situation depends on the business environment, staff and the expected results. The manager's flexibility in applying coaching techniques will determine whether or not he is successful at influencing positive performance, increasing morale and motivating the staff to meet or exceed expected results. Therefore, it should carefully consider what style is best for each situation. [2]

Global multinational companies such as Wrigley, P&G, Danone, Glaxo, have adopted this type of thinking in the last decade, with impressive results.

Clearly, coaching sessions were a real transformational effect, both in life and at work. [3], [4] As soon as progress is visible, the confidence level increases. It all starts with your own knowledge and transformation, and later, all these positive changes to be reflected outside. Creating organizational culture that encourages people to try new things rather than punish them, will cause them to find new approaches to business, to become more creative and excellent drivers ready to perform. The future may be very different from the past.

Coaching is a tool that helps us grow and develop, both personally and professionally. Experts consider it by far the most useful tool when it comes to "transmit", in particular to transmit, forward mentality. The role of a very good coach is to know to ask you questions. And, perhaps equally surprisingly, questions are usually simple. The answers are what change you and makes you, usually, a better man, both in life and at work. [5]

In times of economic crisis, as is the one we just cross, training and coaching market should increase for two reasons. First, some people are laid off or they are in danger of being expelled. In these circumstances they suddenly remember that, the certainly they believed that they have, no longer exist. At that point they begin to invest (directly or indirectly) in education. The more you know, the more opportunities and choices you have. On the other hand, managers realize that fewer people professionally well prepared costs less than many people professionally poorly prepared. Theoretically, this is a known thing, practically, this stands out only

in troubled times such as the economic crisis. In Romania, coaching has not yet begun to be understood, much less to be used, except for a few fields.

We believe that there is now the opportunity to apply this management style and be ahead of the competition.

5. Acknowledgement

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The Current Situation regarding the Use of Labor in Romania

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Abstract

It is known that the demographic impact effects on the economy are felt after many years from the production date of the phenomenon demo-economic. Latest research accredits more than ever the idea that economic growth and development are based on human capital, creativity and innovation.

This paper studies how the labor market in Romania has suffered erosion process with multiple consequences on the volume, quality and structure.

Key words: labor supply, human capital, occupational structures

J.E.L. classification: J21

1. Demographic factor – determinant factor of labor supply

Double position of population in the relations system demo-economic, as the main production factor and as a recipient of the products, is a strong argument in favor of assessing the demographic factor as endogenous variable of economic growth and development.

It is known that the demographic impact effects on the economy are felt after many years from the production date of the phenomenon demo-economic. Latest research accredits more than ever the idea that economic growth and development are based on **human capital, creativity and innovation.**

Negative demographic trends in recent years and those projected for the coming decades will affect the overall performance of the EU economy in a very complex manner.

Thus, in the study *The economic impact of ageing populations in the EU25 Member States* (Carone Costello), the authors identified two types of effects and more channels through which they can propagate in the economy: direct effects (demographic aging affects the quality of labor supply, the ratio capital/labor and the technical progress) and indirect effects (effects on budgets and, thereby, the whole economy).

Another effect of demographic aging can affect the overall long-term development of a country is changing of the consumption structure and could cause the development of sectors with low productivity.

Areas expected to decline in importance in the consumption structure are: education, transport, recreation and durable assets, housing services, respectively, while the food sector, most services, notably the medical services, will increase (Hagemann, Nicoletti, 1989).

The labor market in Romania has suffered erosion process with multiple consequences on the volume, quality and structure.

The dimension, structure and direction of movement of components of the labor market are influenced by the joint action of demographic factors, economic, psychosocial, and not ultimately, political factor. Consequently, the dimension and structure of supply, pressure and absorption intensity will depend on the many factors dynamics. Deciphering the complex and dynamic nature of labor demand and supply, requires analysis medium and short term trends of the factors that influence them in their interacting.

2. Transforming human capital in labor resources

Participation in the workforce population of the country and its use results from the connection: total population - the working age population – active population – employment – unemployed.

Since 1992, the working age population was considered the population, by both sexes, aged 16-64 years, now comprise population with age 15-65 years. Between 2005-2010, the working age population remained almost unchanged in absolute size with value between 69.66% and 69.99% of the population.

By gender, male working age population was in the analyzed period, 2005-2010, an upward trend, so that if in 2005 the percentage of total working age population was 51.78%, in 2010, the same indicator had a value of 54.77%. Evolution of female working age in the same period, showed a downward trend, and as a percentage of the total female population was between 40.26% (in 2005) and 38.87% (in 2010).

1. Available active population (employed population with the number of unemployed) experienced slight growth in the period 2005-2010, both as absolute size and as a percentage value, compared to the total population and working age population. Thus, in 2005, representing 43.44% of the population and 62.4% population of working age population. By gender, in 2010, available active population was 9.565 million people, of which 51.08% men and 48.91% women.

Public participation in economic activity is an aspect of human potential contribution to employment creation in our country.

Labor force participation of the population of Romania, 2005-2010

Table 1

Year	2005	2006	2007
Total population (thousands persons)	21610	21570	21565
Working age population (thousands persons)	15053	15057	15046
Percentage of total population (%)	69.66	69.81	69.77
Active population (thousands persons)	9387	9588	9483
Percentage of working age population (%)	62.4	63.7	63

The structure of total population (%)			
A. Active population (%)	43.44	44.45	43.97
Employed people (%)	40.19	41.08	41.00
Unemployed people (%)	3.25	3.37	2.97
Inactive population (%)	56.56	55.55	56.03
The participation rate in employment of working age population (15-64 years) (%)	62.4	63.7	63.0

On total population of Romania, in 2010, 55.43% are inactive people, and active people have a percentage, on total national economy, of 44.57%.

Also, at national level, are 3.39% unemployed people and 41.18% are employed. This means that Romania's labor resources are represented by values less than half of the population.

By professional status, active population at the end of 2010, was composed of employees (65.6% of the workforce), employers (1.1%), self-employed (21.8%), family workers (17, 6%), etc.

Sex structure of population participation in economic activity, indicates discrepancies between them. Thus, in 2010, those active men had a percentage of 50.443% of the total male population, while active women had a percentage of 38.874 % of the total female population.

Gender gap phenomenon occurs more strongly in terms of people employed, the difference being more than 11.5% at the expense of women, compared with men in the year 2010. In contrast, we observe a reverse trend in the BIM unemployment rate, where the spread between this indicator for men (7.9%), respectively, for women (6.5%) was approximately 1.4% in 2010.

In the first quarter of 2011, Romania's active population was 9.81 million people, of which 9.069 million people were employed and 741 000 people were BIM unemployed.

In present, **economic dependency ratio** (the number of inactive and unemployed per 1000 occupied persons) is **1361 ‰**, higher for female persons (1697 ‰) and for those in rural areas (1432 ‰).

Conclusions about the conversion of part of the potential working population and available resources, may be stated as follows:

a. Romanian population decrease has affected employment potential resources, active population and employment, these

decreasing in absolute value. In contrast, in the period 2005-2010, is maintain approximately constant, with small fluctuations, both the active population and employed population, expressed relative to the total population. If this condition continues, the population will affect for a long time productive capacity and social-economical progress;

b. The ratio between the active and inactive population has continued to slightly deteriorate, although decreased, numeric and percentage, inactive people compared with active people - this ratio is higher than one. This means that over half of the population is economically inactive, or to an active person come a 1.25 inactive person and to an employed person come a 1.35 inactive persons. If we add to the inactive persons and unemployed, this means a employed person come 1.43 people without any income. Resolve the situation would result in increased of natality, in context of recovery economic growth and maintaining it a long time (sustainable economic growth and development), enhancing the attraction of potential labor resources and economic and social activities, in particular, productivity growth of employment, which creates the assets and services necessary for human development.

c. Underspensing phenomenon manifests itself in full employment of resources, therefore the most important element of any economic and social activities. Even if the population of working age who are included and can not bring effective income (students who have reached age 16, students, domestic workers, dependents, persons with disability, etc.), they holding a few percent of the total working age population, also results in a high degree of neutralization of the country labor potential. The phenomenon of under-utilization of labor resources is claimed by other statistical arguments, such as the rate of labor force participation of working age population and employment rate of labor resources; first fluctuated around 63%, the maximum peaks were recorded in 2006, respectively, in 2010 (63.7%) and minimum was recorded in 2005 (62.4%), and the second, fluctuated around 41%, with a peak in 2008 (41.27%).

d. Distortion is manifested in the rate of labor force participation of the population, the participation rate of youth (15-24 years) remained almost constant, between 22.7% (2007) and 24.3% (2010) below the average rate the country and the participation rate of older people (from 41.1% in 2010). This rate is regarded by experts as the potential workforce.

3. The analysis of occupational structures in Romania

Currently, each country's economy is marked by fundamental changes, such as the rapid development of services, especially those that rely on processing, generation and distribution of information, specific demographic dynamics, economic crisis, financial, globalization.

Scramble competition in developed countries imposed the maximum use of financial resources, technology, moving then to new resources - human, information, knowledge - resources that provide competitive advantage in this context.

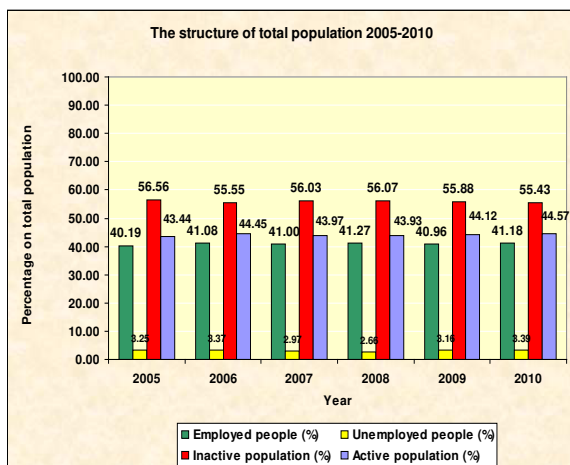
Romania is a country with high employment potential. The transition to market economy and integration in the EU have and had multiple and convergent impact on the labor market and the pressure of economic problems - pushed into the background issue of human, leaving the truth that success in any context and speed economic and social reforms are considerably dependent on their understanding of the people, adherence and participation in their implementation.

As we can see in Figure 1, in 2010, total employment comprised approximately 8.839 million people, of which 46.8% were female population and 54.5% were employed in urban population. Evolution of employment in Romania following the downward trend of the total population, due to the rise of population aging and the declining of natality.

In the period 2005-2010 employment increased from 8.684 million to about 8839 thousand people, which means an increase of 1.35%. The causes of this development is the decrease of population and the effects of current crisis, by reducing activities.

Regarding the components of the active population in the period 2005-2010 a strong decrease in the employment population, which records to decrease the number of unemployed. This can happen because those who leave the unemployed are not necessarily re-hired. It is possible that they will not declare that the unemployed and either give up looking for work or to illegal engage. The extent of the underground economy and illegal employment in Romania has taken worrying proportions, threatening macroeconomic and macro balances. Employees choose illegal labor in Romania, especially due to high taxes and contributions that are required to pay and there is no viable mechanism for punishing those situations. Workers fail to see the link between social security contributions and benefits, and often are dissatisfied with low quality of public services, so choose informal employment.

Figure 1. The structure of total population 2005-2010



If we analyze the structure of employment in sectors (agriculture, industry and services) we observe a high percentage of employment in agriculture, in condition of a very low contribution of this sector to GDP. In recent years the farming population decreased, but its percentage remains high in comparison with results obtained, with efficiency recorded.

In 2009, employment in agriculture increases (from 2008) to 28.7%, in context of the economic crisis which agriculture to become an occupational buffer, absorbing surplus labor force in other sectors, so that in

2010 the population employed in agriculture reach approx. 30.1%.

The added value of industrial sector to GDP is widening slightly in 2010 compared to 2009, however in 2000-2008 decreased mainly due to ineffective implementation of reforms in the industry. Indeed there is an employment increase in the services sector with the largest contribution to GDP (compared to other sectors). But the development of the sector has not made the same increasing manifested in developed countries. According to global trends, economic development orientation involves higher education services, but in recent years Romania has developed services sector that uses low-skilled labor. Service sector contribution to GDP growth is based on the development of financial services, commercial and without higher qualifications.

The construction sector in the period 2005-2008 was one of the most dynamic in the country, as there have been increases employment in activities such as trade, hotels and restaurants, real estate and other services, financial intermediation, etc.

But the economic crisis first hit this sector, such as added value (% of GDP) decreased by 13.3% in 2009, respectively, with 10.7% in 2010.

Structure of employed population by age group in 2010 suggests a rather high percentage of employed population aged over 45 years (22.35% for employed population aged 45-54 years, combined with the weight of 11, 96% employed population aged 55-65 years) due to demographic aging population. In the age group 55-65 years, and that of 65 years and over, the largest percentage of employment is recorded in agriculture, followed by education and health. Reduced percentage of the employed population aged 15-24 years (8.5%) is the result of reducing the birth rate, but also of youth involvement in educational activities, in recent years extending periods of study.

Distribution of occupation groups shows that farmers and skilled workers in agriculture, forestry and fishing accounted for 24.3% of total employment people. A significant proportion (15.2%) had a category of craftsmen and skilled workers in trades. In non-agricultural activities were employed 6.46 million people, among them significant

proportions being held by those operating in *manufacturing* (25.5%), *trade* (17.6%) and *construction* (10.9%). Compared with 2009, in 2010 significantly increased the number of people operating in private households (46.5%). Other significant increases were recorded in real estate (23.9%), other services (12.0%), water supply, sanitation, waste management, decontamination activities (10.8%). A low number of people employed in *manufacturing* (-6.0%), *mining* (-4.7%) and *public administration* (-3.9%).

Conclusions to be drawn from this brief analysis of the employed population are:

Negative demographic trends in recent years and those projected for the coming decades, will affect the overall performance of the EU economy, in a very complex manner.

Romania had and has now a population structure more favorable long-term economic development compared to other EU countries, however, soon in Romania by age distribution of the population will change in the negative, the proportion of elderly will reach equal to that of young people.

An important issue in the labor market is the low employment rate. At every person working there someone who could work, but for various reasons this does not happen. It is true that in Romania the percentage of people working is higher than statistics show, but many people work in the underground economy.

The process of transforming the economic structure carry to significant changes in professional structure of the population. Have occurred massive job losses in industry, which were only partially offset by new jobs emerged - in services and industries that were regenerated.

Decrease in employment is accompanied by an important activity in the underground economy, with hybrid forms of formal and informal activity, making it hard concrete labor market analysis.

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The Capital, Personal, Current and Total Expenditures of the Main Authorizing Officers of the State Budget - Component of the Public Sector's Effort in the Emerging Economy of Romania

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Abstract

The present paper has as debut point the presentation of the moment and also, of the normative act that introduced the classification of the public expenditures and how the expenses are systematised in its frame. After a brief overview of what signifies the functional and economic classification of public sector spending in emerging economies belonging to Romania, had in view the temporal evolution of total expenditures, current, personal and capital expenditures at a series of authorizing officers of the state budget (the ministries leaders of: Public Finance; Economy, Trade and Business; National Defence; Transports and Infrastructure; Education, Research, Youth and Sports; Labour, Family and Social Protection; Agriculture and Rural Development; Health; Regional Development and Tourism.

Key words: public sector, budgetary classification, expenditures.

J.E.L. classification: H10, H61, H72.

1. Introduction

Approved by OMFP no. 1025/2005, the classification of the public finance indicators is a scheme of grouping, numbering and legal naming of the budgetary incomes and expenditures which is specifying the name of each budgetary income and, respectively, the destination and the nature of the budgetary expenditures. It should be noted in the same time that, due to the aforementioned characteristics, this classification can be no juridical basis both for revenues collection, or for expenditures payment but only as a tool for systematization and unitary correlation of

the budgetary indicators. Regarding the expenditures, their grouping regulated through the classification of the indicators regarding the public finance and the criteria had in view inside the classification are presented in Table no. 1.

Table. 1. The grouping of the expenses settled through the classification of the indicators regarding the public finance

Classification of the public expenditure		
Functional classification		
Criterion	Group	Expenditures
Destination	Parts (name which specify the destination of the categories of the public expenditure)	General public services (I); Defense, public order and national security (II); Social-cultural expenses (III); Services and public development, housing, environment and water (IV); Economic action (V); Reserves, surplus / deficit (VII).
	Chapters (the differentiated division of the categories of public expenditures inside the expenditure parts); these are subdivided into subchapters according to the destination of the public expenditure;	
	Underchapters (dividing the chapter on expenses)	
	Paragraphs (reflects the components of the subchapter)	
Economic classification		
Criterion	Group	Expenditures
fNature/ their kind	Titles (played by name and two-digit code);	current expenditure; capital expenditure; loans; loan repayments;
	Articles (played by name and four-	

Classification of the public expenditure	
	digit code); divided in several paragraphs;
	<i>Paragraphs</i> (played by name and code of six digits);

Source: Table realised by the author using the informations from source [1]

2. The authorizing officers of the state's budget

Made during the reporting period in order to assure the public institutions functioning, the current expenditure appear under the form of staff costs, goods and services, interest regarding the public debt and other interest, grants, reserve funds, transfers between units of public administration, other transfers, social assistance and other expenses. If some current expenses are common to all public institutions, indifferent of the activity developed by these (basis salaries, benefits management, the contribution for the state social security, the contribution to unemployment insurance, goods and services, etc.), others are specific to some of these - social and economic entities. *Capital expenditures* includes the expenditures with the unredeemed fixed assets, the ones regarding the state and mobilization reserve, etc. In the category of *loans* are taken into account: the ones for objectives agreed by the bilateral and inter-governmental agreements; loans for people with refugee status; the ones for the public services and institutions or for activities fully financed from its own funds; loans from the unemployment insurance; the one accorded for the building, purchasing, rehabilitating, strengthening and expansion of housing; loans for the protection of historical monuments etc. Regarding the *loans reimbursements*, these can have external character (the ones contracted by the authorising officers, the ones reimbursed from the guarantee fund, the loans reimbursements which correspond to the local public debt and the course differences which correspond to the public external debt) or internal (reimbursements of internal guaranteed loans, course differences which correspond to the public internal debt and loans reimbursements which correspond to

the internal local public debt). Representing sums aproved through the state budget, of the state social assurance, of the unemployment fund, of the unique national fund of social health assurance, through the local budgets, of the autonomous public institutions, through the budget of the state's treasury, through the one of the external grants, of the institutions financed entirely/partially from the state budget, of the institutions financed entirely/partially from own incomes and through the budget of the funds obtained from loans contrac-ted/guaranteed by the state or by the administrative and teritorial units, the *budgetary expenditures* can be effectuated only in the limit of *the budgetary loans aproved* through the budget. Their opening is realising by the main authorising officers financed from the budget, on the basis of the demand of budgetary loans opening which must be made for each chapter of expenditures aproved through the respective budget, with breakdown on current and, respective, capital expenditures. Known under the name of authorising officers, the leaders of the public institutions with juridical personality who has the right to engage and use budgetary loans are classified according to a serie of criteria (Table no. 2).

Table. 2. Classification of the authorizing officers

Criterion	Authorizing officers
<i>according to the budget that funded them</i>	<i>financed from:</i> state budget, social insurance, state unemployment fund, the single national fund of health insurance, local budgets, etc.
<i>according to their rights and obligations in the budget's execution</i>	<i>main</i>
	<i>secondary</i>
	<i>tertiary</i>

Source: Table realised using the informations from source [1]

3. The phases of the expenditures budget execution

Regardless of the budget from that are financed, and of the degree of subordination, public institutions must follow the procedures regarding the completion of the phases related to the budget execution of the expenditure, as they are presented in Table no. 3.

Table. 3. The phases of the budgetary expenditures execution

Phase	Characterization
<i>The engaging</i>	any legal act which results or could result in a payment obligation on public funds;
<i>The liquidation</i>	checks the existence of the budgetary and legal commitments, determine or control the reality of the amount due and the chargeability conditions of the legal commitment, based on documents;
<i>The authorisation</i>	confirms that the goods were delivered, the works executed or services provided, that other claims have been verified and that the payment to the supplier, entrepreneur or creditor may be made;
<i>The payment</i>	public institution is released from any obligation face to the third creditors.

Source: Table realised using the informations from source [1]

4. The evolution of the expenditures of the main authorizing officers from the public sector of the emerging Romania

As specialized bodies of central public administration, the ministries exercise the public administration in activity domains that respond, are organized and are functioning subordinated to the government and may set up specialized agencies in their subordination, with the Court of Auditors approval. Some develops economic activities, others activities with social - cultural type, political or administrative, etc.. and their leaders have the quality of main authorising officers. As a result, the main authorising officers of loans financed from the state budget will had the responsibility to open budgetary credits for their own expenses and then, their allocation to the public institutions hierarchical inferior. In the following we consider personal expenses, current, capital and total expenditures made by some of the main authorising officers of the state budget during the 2008-2010 period of time. Were analyzed, for this purpose, the income and expenditure budgets belongs to: Ministry of Public Finance (MPF); Ministry of Economy, Trade and Business Environment (METBE); Ministry of National Defense (MND);

Ministry of Transport and Infrastructure (MTI); Education, Research, Youth and Sports (MERYS); Labour, Family and Social Protection (MLFSP); Ministry of Agriculture and Rural Development (MARD); Ministry of Health (MH); Ministry of Regional Development and Tourism (MRDT).

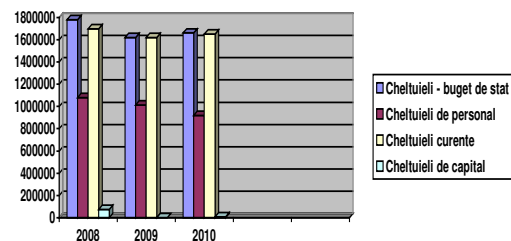
Table no. 4. Personal, current, capital and total expenses at the Ministry of Public Finance

BE	Value (thousand lei)		
	2008	2009	2010
SBE	1.781.138	1.620.417	1.660.710
CE	1.698.615	1.619.486	1.651.960
PE	1.079.343	1.012.281	919.367
KE	74.418	931	8.750

Legend: BE-budgetary expenditure; SBE-state budget's expenditure; CE-current expenditure; PE-personal expenditure; KE-capital expenditure.

Source: the budget of the MPF, 2008-2010

Figure no. 1. Personal, current, capital and total expenses at the MFP



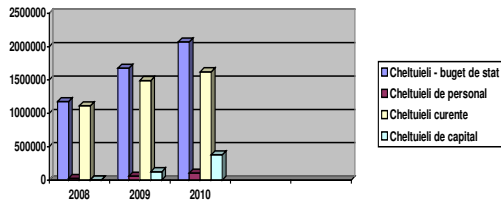
Source: informations from table 4.

Table no. 5. Personal, current, capital and total expenses at the Ministry of Economy, Trade and Business

BE	Value (thousand lei)		
	2008	2009	2010
SBE	1.177.712	1.676.622	2.071.367
CE	1.112.438	1.492.641	1.623.842
PE	24.026	59.893	105.912
KE	2.029	123.884	378.010

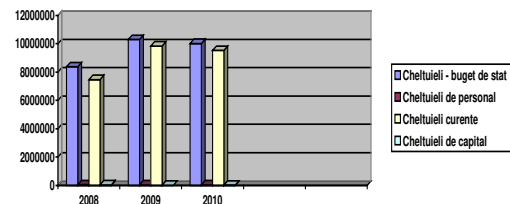
Source: the budget of the METB, 2008-2010

Figure no.2. Personal, current, capital and total expenses at the METB



Source: informations from table 5.

Figure no. 4. Personal, current, capital and total expenses at the MTI



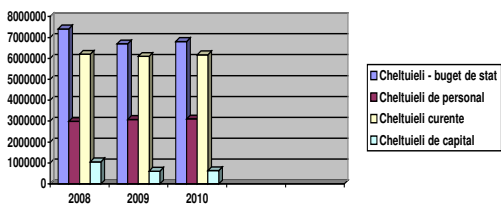
Source: informations from table 7.

Table no. 6. Personal, current, capital and total expenses at the Ministry of National Defence

BE	Value (thousand lei)		
	2008	2009	2010
SBE	7.407.599	6.697.647	6.811.567
CE	6.203.069	6.094.924	6.174.768
PE	2.982.535	3.077.655	3.109.335
KE	1.056.126	602.723	636.799

Source: the budget of the MND, 2008-2010

Figure no. 3. Personal, current, capital and total expenses at the MND



Source: informations from table 6.

Table no. 7. Personal, current, capital and total expenses at the Ministry of Transport and Infrastructure

BE	Value (thousand lei)		
	2008	2009	2010
SBE	8.364.361	10.291.692	10.011.327
CE	7.459.681	9.834.811	9.520.401
PE	45.633	37.018	31.035
KE	37.931	10.749	20.286

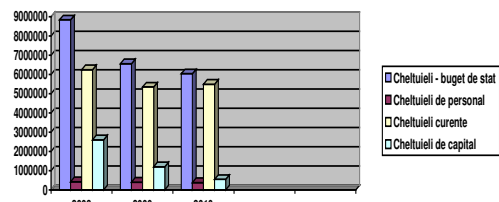
Source: the budget of the MTI, 2008-2010

Table no. 8. Personal, current, capital and total expenses at the Ministry of Education, Research, Youth and Sports

BE	Value (thousand lei)		
	2008	2009	2010
SBE	8.830.133	6.553.713	6.030.505
CE	6.239.287	5.344.668	5.482.628
PE	428.327	404.478	378.822
KE	2.605.416	1.209.045	547.877

Source: the budget of MERYS, 2008-2010

Figure no. 5. Personal, current, capital and total expenses at the MERYS



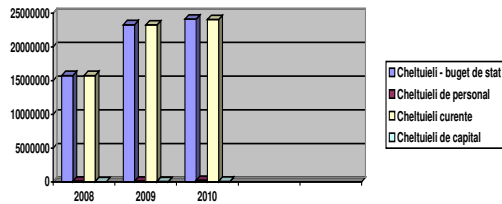
Source: informations from table 8.

Table no. 9. Personal, current, capital and total expenses at the Ministry of Labour, Family and Social Protection

BE	Value (thousand lei)		
	2008	2009	2010
SBE	15.733.388	23.272.930	24.101.410
CE	15.719.779	23.235.155	24.042.737
PE	102.192	102.451	219.267
KE	12.346	37.421	58.219

Source: the budget of the MLFSP, 2008-2010

Figure no. 6. Personal, current, capital and total expenses at the MLFSP



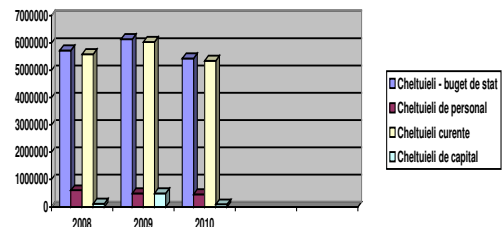
Source: informations from table 9.

Table no. 10. Personal, current, capital and total expenses at the Ministry of Agriculture and Rural Development

BE	Value (thousand lei)		
	2008	2009	2010
SBE	5.733.000	6.139.961	5.436.426
CE	5.600.680	6.047.441	5.346.701
PE	604.140	495.805	451.686
KE	113.932	89.549	86.745

Source: the budget of the MARD, 2008-2010

Figure no. 7. Personal, current, capital and total expenses at the MARD



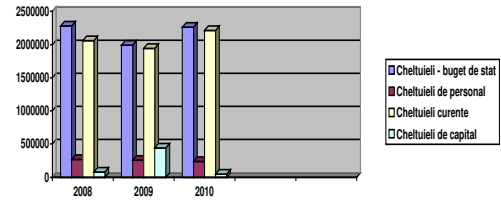
Source: informations from table 10.

Table no. 11. Personal, current, capital and total expenses at the Ministry of Health

BE	Value (thousand lei)		
	2008	2009	2010
SBE	2.278.471	1.993.706	2.262.977
CE	2.061.204	1.942.922	2.213.871
PE	265.635	254.670	237.074
KE	78.962	442.841	49.106

Source: the budget of the MH, 2008-2010

Figure no. 8. Personal, current, capital and total expenses at the MH



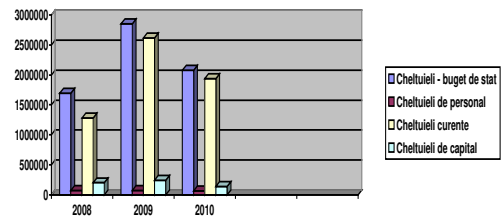
Source: informations from table 11.

Table no. 12. Personal, current, capital and total expenses at the Ministry of Regional Development and Tourism

BE	Value (thousand lei)		
	2008	2009	2010
SBE	1.696.827	2.856.463	2.078.966
CE	1.284.470	2.617.483	1.940.760
PE	72.037	71.870	65.975
KE	199.860	238.980	138.206

Source: the budget of the MRDT, 2008-2010

Figure no. 9. Personal, current, capital and total expenses at the MRDT



Source: informations from table 12.

5. Conclusions

As a general valid conclusion, the highest value of the expenditures of the main authorising officers of the state budget which was analyzed was the one of the current expenditure, followed by capital expenditures and, on the last position, by the personal expenditures. Exception to this trend did the Ministry of Public Finance, Ministry of National Defence and Ministry of Agriculture and Rural Development. For each authorising officer in part, the expenditure evolution can be explained as follows: in 2008, the maximum amount of personal expenses was recorded for the case of Ministry of National Defence and the minimum value belongs to the Ministry of Economy, Trade and

Business. For the 2009 year, for the same type of expenditure of the state sector, the maximum level was registered in case of Ministry of National Defence and the minimum one at the Ministry of Transport and Infrastructure. The 2010 year bring into the ranking of the personal expenditures, on the first place, the Ministry of National Defence and on the last, the Ministry of Transport and Infrastructure. Regarding the current expenditures, the maximum level of these was registered at the Ministry of Labour, Family and Social Protection in 2010 and the minimum one, at the Ministry of Economy, Trade and Business, in 2008. The evolution of the capital expenditures was placed between the maximum and minimum points registered at the Ministry of National Defence în 2008 and, respective, at the Ministry of Public Finance in 2009.

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The Role of Financial Instruments for Regional Development in the Context of the Current Economic Crisis

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Abstract

During this period marked by the effects of the current economic crisis, the structural funds play most important role in regional development. Each country of the Union, especially those in development they wish to reach the level of the developed world, so you must access the funds in order to reduce economic disparities between them.

Key words: European Union, regional policy, cohesion policy, structural funds, convergence
J.E.L. classification: F, F1, F15

1. Introduction

Regional and cohesion policy was designed as a "counterbalance to the European economic social project to create free market"(6). However, with time, European cohesion policy began to be developed at European level, and the major economic and social disparities that existed within the Union could be reduced only by the application of specific instruments, called redistributive structural and cohesion funds. So, the economic and social cohesion of the EU is achieved in particular through the regional development policy supported by a set of financial instruments, of which the most important are the structural funds and the Cohesion Fund.

Through the structural funds, the financial instruments of regional and cohesion policy, the EU works for "the Elimination of economic and social disparities between Member States" (8), in order to achieve economic and social cohesion. Thus,

subsequent reforms of cohesion policy were closely linked to the efficient management of the structural funds, concentrating much of its expenditure in less-favored regions of the Union, "solidarity more developed States arguing in favor of LDCs" (4).

The idea of creating a policy to reduce and eliminate the disparities between regions, has its origins in the Treaty of Rome (1957), where it is explicitly transposed that one of the objectives of the community is to reduce social and economic differences between regions (11). However, the structural funds have appeared for the first time in the 1970s, after the first expansion and had suffered an economic crisis. At first, these funds were provided to Member States for infrastructure development and the achievement of economic growth to be close to that of European standards, but, since 1985, these funds were justified in terms of "economic and social cohesion", which was the Elimination of regional disparities (1).

In 1988, the Brussels European Council, following the initiative of Jacques Delors, then President of the European Commission, has adopted the doubling of financial resources for the structural funds over the next few years (12). This first great reform, which coincides with the signing of the single European Act, practically revolutionized the procedures concerning allocation and implementation of the structural funds, just to make it easier target for economic and social cohesion of the Member States (3). A new reform of the structural funds was negotiated with the signing of the Treaty of Maastricht (1993). An important moment is the adoption in 1997 of Agenda 2000, whose strategic directions were reiterated during the European

Council in Berlin in 1999. The main objective of Agenda 2000 was to increase the effectiveness of the structural funds, increasing the budget allocated to this expenditure. According to author Steven McGiffen, another result of Agenda 2000 was the merge of the objectives of the structural funds, from seven to three. The first goal, on convergence, promoting the development of disadvantaged regions, through the granting of financial resources for investment in infrastructure and business.

The second objective, the regional competitiveness and employment, focusing on areas such as, employment, modernizing policies and systems of education, training and employment of labor. With the final objective, the European territorial cooperation, supporting the economic and social conversion of areas experiencing difficulties in border areas at EU level (7). These objectives are reflected in the programming period 2007-2013.

2. The structural funds in Romania

At first there are the following structures of the structural funds. The first fund created is the European Social Fund (ESF) – established by the Treaty of Rome, whose mission was "to promote throughout the community employment facilities and the geographical and occupational mobility of workers" (13). Currently, this Fund is intended for social policy, including measures concerning employment and unemployment (14). In 1962 it was decided the creation of the common agricultural policy, which led to the establishment of the Fund, the European agricultural guidance and guarantee section (EAGGF) in 1962, being divided into two sections, the guarantee and guidance. The main objective of the instrument for structural is to finance the common agricultural policy, by supporting rural development and modernization of agriculture (15). The third structural type Fund is the European Regional Development Fund (ERDF) founded in 1975. This is the substance that interests me most, as the research in question. Among its objectives include investments in various areas such as infrastructure, health, small and medium-sized enterprises, local development, health, social conversion (5).

The last structural fund created is the financial instrument for fisheries guidance (FIFG), in 1993, aimed at increasing the competitiveness of the fisheries sector (16).

A date with the latest reform of the structural funds, since 2006, has been adopting a new regulation for the operation of the structural instruments (17), which resulted in the simplification of the financial instruments of regional policy and cohesion.

Thus, under the umbrella of the structural instruments, the structural funds are made up of the ERDF, renamed after the take-over of agriculture policy, the European Fund for agriculture and rural development (EAFRD) and the ESF and the Cohesion Fund. EAGGF and FIFG have been removed from the structural funds, being subordinated to the common agricultural policy. This merging of the structural funds was mentioned as early as 2003 in Sapir Report, which, inter alia, stated that a national approach is preferable to one regional structural funding, is used to determine eligibility (9).

As a result, the cohesion policy reforms have imposed geographical and economic criteria relating to the management of the structural funds. The largest financial allocation was made in the regions and the least developed countries and financial and human resources shortage, arguing, more developed States, solidarity in favor of LDCs, with the aim of creating a Union uniform of socially and economically.

Over the years, the arrangements for implementing the structural funds have become increasingly more integrated and sophisticated, but also decentralized. Author David Allen recorded the existence of four principles upon which the system of implementation of those funds. A first principle refers to the concentration of measures around priority objectives. The second principle concerning the programming highlights the fact that the objectives will be pursued within the framework of a multiannual programming system and multiregional. Partnership, representing the third principle, implies a close cooperation between the Commission and the competent authorities at national, regional or local level in each Member State.

And the last principle, additionally, where contributions granted through these funds must not replace other public expenditure but

may be supplemented through co-financing from the national budget.

Analyzing these principles, we can deduce that these funds are not manageable, referencing and intersection operations on many levels. On the one hand this is emphasized by the institutional framework at Community level, where the European Commission, the Council and the Committee of the regions are those which control management/implementation of the structural funds (2). On the other hand the Community legislative framework and plays an important role in this respect, because it is a pretty vast, if it is to keep in mind the number of regulations and guidance documents that govern the policy of the structural funds.

Apart from a part of the Community regulations and documents, which are unchanged when applied at national level, and the rest of the system of implementation of the structural funds that conforms to the legal and institutional features of each Member State. For these reasons, there are numerous differences of approach to the mode of implementation of the structural instruments at Member State level; hence the uptake rates vary significantly from country to country.

Regional Operational Program 2007-2013 is a program that implements important elements of the national strategy for regional development of the NDP, contributing, alongside the other sectorial programs, to achieve the general objective of the strategy of National-Regional disparities reduction, i.e. between the regions of Romania.

As I said the main objective of the Regional Operational Program is to support the regions lagging behind in terms of development, and within the regions somewhat more prosperous, more underdeveloped areas through harnessing their specific resources, underused so far, in order to speed up economic growth of these areas.

Main route identified to achieve this aim is the differentiated allocation of funds by region, depending on the degree of development of the region in general, inversely proportional to the size of GDP/per capita, so that the less developed Regions to benefit proportionally, and the largest financial allocation. These funds will be used to finance projects with significant impact on regional development and local rehabilitation

and modernization of transport infrastructure, educational, social, health and public safety, improving the business environment through the development of business support structures (industrial parks, technology, logistics, business, etc.) and supporting the initiatives of private entrepreneurs, potential tourist and cultural tourism infrastructure by supporting the development and entrepreneurial initiatives in this area supporting the development of urban centers, with the potential for economic growth, to create conditions to act as motors of regional development and local.

Calls for proposals will be launched on a regular basis, in each of the key areas of intervention. When a call for proposals was launched, receive funding only projects in that key area of intervention.

The economy of a country, region or group of countries, and that of the whole world, develops cyclically. This means that in certain periods of time, a country, (a group of countries, etc.) is characterized by a growing economy, followed by a limitation of the extension, then a decrease and a halt to it (10). Period that characterized much of the European countries at the present time.

The main areas that may be affected by regional policies are enterprise development, labor market, attracting investment, transfer of technology, the development of SMEs, improving infrastructure, the quality of the environment, rural development, health, education, education, culture.

Rural development occupies a distinct place within the framework of regional policies and shall cover the following aspects: the removal or reduction of poverty in rural areas, balancing opportunities of economic and social conditions of the urban and rural local initiatives, stimulation, preservation of cultural heritage and spiritual.

It should be stressed as particularly important the accessing of these structural funds in achieving economic convergence necessary for the transition to monetary Union, consisting of mixing of the main characteristics of the economies of participating countries: inflation rate (a high degree of price stability levels), the nominal long-term interest rates, changes in exchange rates, budget deficit, government debt level, but also the level of wages, unemployment, income per capita.

In literature, on the basis of the Treaty of Maastricht were refined three separate but complementary convergences: convergence of nominal; legal convergence; real convergence. The nominal convergence criteria laid down in the Maastricht Treaty (article 104, 109j), as in Protocol No 6 on the convergence criteria annexed to the Treaty are as follows:

- price stability, which will fully respect from a rate of inflation observed over a period of one year before the examination for the transition to stage three, the inflation rate not exceeding by more than 1.5% average of the three Member States with the lowest inflation;

- interest rates in the long term, which shall not exceed by more than 2% average nominal long-term interest of the three Member States with the lowest interest rate;

- the ability to sustain public finances: the government deficit must not exceed 3% of gross domestic product (GDP) at market prices; public debt must not exceed 60% of GDP, "less where this ratio is reduced sufficiently and approaching the reference value at a pace appropriate";

- stability of exchange rates, i.e. the observance of the normal fluctuation margins provided for by the exchange mechanism of the European monetary system for at least two years preceding the examination, on its own initiative, without devaluation of the currency exchange rate in relation to their own currency of another Member State.

By legal convergence means the harmonization of national legislation and regulations of the central banks of member countries of the EU, so as to make it compatible with the European system of central banks (ESCB). In a general sense, this convergence includes aspects such as the independence of national central banks and the integration of these banks into the ESCB.

Real convergence refers to a level standard of living, equalization of standards of living in member countries, and the pursuit of so-called "economic and social cohesion 'at Union level. Variables that measure real convergence are income per capita, the level of wages, unemployment, government expenditure, etc. In order to achieve an equalizer in these areas it takes more time than the minimum for the variables, but these have been finally beneficial affects real variables.

3. Conclusion

As a result, regional development policy includes all the measures planned and promoted by the local and central public administration in partnership with various actors (private, public, volunteers), in order to ensure a dynamic and sustainable economic growth, by maximizing the potential of regional and local levels, in order to improve living conditions.

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Process Communication – a Model For Communicating in a Challenging World

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Abstract

In the world of work, relevant skills and solid experience are prerequisites.

The way we communicate with others can define the level of success we achieve, and it is also often the single most important factor in our business dealings. Whether one's role involves managing staff, clinching sales deals, delivering training, working with or building a project team, or any other area of business, he/she could achieve his/her full potential by raising his/her game in the art of effective communication.

The Process Communication Model® (PCM) is a key business tool that no serious professional can afford to be without. Developed by Dr Taibi Kahler Ph.D, an award winning clinical psychologist, PCM uses personality assessment and communication management tools to help one understand the different personality types so that one can deliver his/her messages more effectively, and develop positive communication skills.

Key words: communication, process, model

J.E.L. classification : Z00

1.Introduction

Communication is the transmission of information from someone who sends the information to a channel which goes to a receiver of the information. Communication consists of the sender, the channel and the receiver. Humans have a need to communicate. The need to communicate is what propelled the development of language and the mind. The need to communicate what is felt or perceived within. In order to communicate, humans created channels. The

way to create the channel is by hooking the attention of the receiver. With the transference of information we transfer many other things not just information in the mental point of view. We transfer many different kinds of energies also. We can transfer love, and we can also transfer emotional poison.

Communication always has an intention. Intention and intent are completely different. Intent creates the channels, opens the channels and creates the communication. Intention is the purpose for the communication from the point of view of the reason. Creating all these channels also creates emotional hooks. Channeling has an emotional component. The same way an individual has an emotional component within there is an emotional component outside as well. In this way the inside net and the outside net have an agreement.

While the field of communication has changed considerably over the last thirty years, the models used in the introductory chapters of communication textbooks (see Adler, 1991; Adler, Rosenfeld, and Towne, 1996; Barker and Barker, 1993; Becker and Roberts, 1992; Bittner, 1996; Burgoon, Hunsaker, and Dawson, 1994; DeFleur, Kearney, and Plax, 1993; DeVito, 1994; Gibson and Hanna, 1992; Wood, 2002) are the same models that were used forty years ago. This is, in some sense, a testament to their enduring value. Shannon's (1948) model of the communication process provides, in its breakdown of the flow of a message from source to destination, an excellent breakdown of the elements of the communication process that can be very helpful to students who are thinking about how they communicate with others. It remains, however, that these texts generally treat these models as little more than a baseline. They rapidly segue into other subjects that seem

more directly relevant to our everyday experience of communication.

In interpersonal communication texts, these subjects typically include the social construction of the self, perception of self and other, language, nonverbal communication, listening, conflict management, intercultural communication, relational communication, and various communication contexts, including work and family. In mass communication texts these subjects typically include media literacy, media and culture, new media, media industries, media audiences, advertising, public relations, media effects, regulation, and media ethics.

2. Work in a Conflictual World: New Challenges, New Abilities

In these times of crisis, technological progress has changed the face of organisations by providing immediate access to information. New forms of communication now fill our TV and computer screens. Though, the corporate world still consists of very real people, who, through their talents, training, experience and especially their personalities, truly enhance the capabilities of their companies. Today people are indeed the most valuable asset for any corporation.

Both individuals and groups demand mobilization in the context of current technological and economic challenges. Hierarchy plays only a minor role while new leaders seem to conceive strategic projects within matrix style organizational structures and task force teams. To meet the challenges of the new commercial markets work groups are formed and dissolved at a rapidly increasing rate. Time in which to establish contact and become familiar with people has become very short.

Inspiring others, giving meaning, uniting a team to capitalise on the strengths of its members and managing tensions in the workplace are all necessary abilities required of the modern manager. There is stress both for the managers and for employees who are also ready to learn how to better resist pressure. Self-knowledge, self-management, understanding others and better relationship management will inevitably release much of this pressure; especially if everyone, whether a manager or not, were capable of helping

and contributing by having their skills improved in these important and vital areas. Being able to effectively approach an interpersonal relationship challenge and to ask for or offer help if needed is an indicator of strength, though sadly many managers and employees do not see things this way. Employees and managers in the twenty-first century need to know how to bring their performance to a peak, both as individual and team players.

There have been considerable changes in how work is organised in recent years. It is no longer a matter of whether people will be able to work together as a team or not, because teamwork has become mandatory. Many companies are matrix systems in which each department's action is connected to the entire system. Departments no longer call themselves divisions since the reality is quite the opposite: now it is about uniting people from different disciplines to work on projects with shared ownership.

Steering projects of this type require new skills; like knowing how to assume leadership roles without necessarily having any hierarchical relationship. This change has been so rapid that the employees need to be supported in the acquisition and application of this type of skill. An operation like this requires both relational and situational intelligence. Employees who feel good about themselves and comfortable with each other are priceless assets to a business.

3. A Communication Model

In 1971, Dr. Taibi Kahler saw a PROCESS, a sequence by which people interacted with one another both in positive and negative ways. The uniqueness of this discovery was that human behavior could be identified objectively literally second by second as being either productive (COMMUNICA- TION) or non-productive (MISCOM-MUNICATION). Both patterns were sequential, measurable and *predictable*.

For this discovery, Dr. Kahler was awarded the 1977 Eric Berne Memorial Scientific Award and honored by more than 10,000 of his clinical peers from 52 countries as having provided the *most significant scientific discovery in his field of psychology*. His miniscript afforded people the means of diagnosing someone within minutes and

accurately predicting their pattern of negative behavior under stress.

With many invitations to speak at national and international business and organizational conferences, Dr. Kahler translated his concept into a non-clinical model of communication for business and individuals. PROCESS COMMUNICATION was developed to offer business people a firm behavioral, management and interaction foundation.

Process Communications identifies personality types, assesses character strengths, reflects preferred management styles and favorite "channel" or means of communication, determines individual psychological and motivational needs, predicts potential management/interaction success or failure patterns under stress, provides intervention points for failure patterns and Offers ways of reinforcing positive, productive behaviors.

The model does not categorise people, but rather shows how all the possible personality types are in each of us, organised in our own unique order. It offers valuable methods for enhancing communication across the different personality types. Personality is composed of a unique, mixture of six personality types and we can observe multiple aspects of personality, including behavioural traits, perceptual preferences, individualised motivators, unique ways of communicating, & predictable, observable behaviour under stress.

Knowing and understanding these behaviours we can improve the quality of our business and private relationships by simplifying our style of communication and leadership including our method of conflict management. Knowing how PCM works, it is possible to monitor communication interaction by interaction, to ease avoidance of miscommunication with unmistakably defined strategies to reestablish communication, where it has been broken. This relevant and efficient model has rapidly grown in Europe to become an essential business tool.

The predictability of distress behaviour is one of the most valuable tools in the Process Communication Model arsenal. As a result of Dr. Kahler's observations, we know that behaviour under normal and severe stress is highly predictable. The model then provides

precise methods to enhance better self-management and better management of our interpersonal relationships even under stress. Because distress behaviours are very predictable, observation of these patterns is another valuable tool for assessing personality. Each personality type has its own way of behaving depending upon the nature and intensity of the stress to which they are subject. These six predictable, observable, and reversible behavioural sequences provide insight into understanding and managing interpersonal relationship difficulties and therefore, enhancing our efficiency both at work and outside of it. People who use the Process Communication Model® benefit from a whole range of practical tools specifically designed for successful everyday management of communication. Whether with employees, clients, partners, or colleagues; our business relationships become smoother, teams more motivated; team members accept ownership of projects and cooperate together contributing to team synergy and increased productivity with reduced stress levels.

4. The origins of Process Communication

Dr. Kahler began his award-winning research on interpersonal communication and behaviour in the late 1960s and, in the 1970s, developed it into what became known as the 'process model.' In 1978, Dr. Terry McGuire, NASA's Lead Psychiatrist for Manned Spaceflight, invited Dr. Kahler to demonstrate the efficacy of his model in connection with astronaut selection. After comparing notes on several candidates, Dr. McGuire hired Dr. Kahler, commenting that 10 minutes of using his approach revealed as much or more about a candidate than a standard psychological interview of several hours. This began an extended relationship with NASA (1978-96), during which Dr. Kahler worked with Dr. McGuire to incorporate the model into the astronaut selection, evaluation, training and management processes and during which time Dr. Kahler also translated the concepts underlying his model into behavioural terms. The predictability of PCM was essential to Dr McGuire because using it he was able to

accurately predict astronaut distress in space, important in crew selection for men working under such extreme conditions. In 1982 Dr Kahler brought the Process Communication Model® to the business world to enable organisations to offer their people tools and an approach to communication, motivation, management, and stress management in the workplace. Since then the PCM approach has successfully benefitted well over a million people around the world.

5. The Process Communication Model

People who wish to use the Process Communication Model will first complete a questionnaire which, once processed, will enable them to discover their personality structure. The teaching metaphor of a condominium (in the USA a name for an apartment building) helps in us to visualise the composition of each unique personality structure. One of the six personality types is located on each floor; the size of the floors indicating the level of energy available when the person wants to use the corresponding personality type. The metaphor of an 'elevator' illustrates the person's ability to reach all of the floors and use all of their resources.

Individual personality structure is comprised of six, separate and mutually exclusive behaviour types, called Thinker, Harmoniser, Persister, Rebel, Imaginer, and Promoter. Likened to a six-floored condominium, personality structure is ordered, indicating the relative amount of time a person experiences and demonstrates the behaviours of a given type floor. These second-by-second behaviours – categorized by words, tones, gestures, postures and facial expressions – can be observed objectively with significantly high interjudge reliability. Additionally, test-retest reliability research indicates that once a person's condominium order is set, that order seldom changes.

The Personality Pattern Inventory, also measures the amount of energy available to the individual to experience each personality floor. Correlations for each personality type include: character strengths, management styles, channels of communication, perceptual preferences, environmental choices, and personality traits. No one type is better or worse, more or less intelligent, or

more or less OK. Each has strengths and weaknesses.

Each of us has the need to appreciate values like the Persister; has some of the spontaneity of the Rebel; has the compassion and warmth of a Harmoniser; has the ability to be logical as does a Thinker; can enjoy the experience of taking a risk as can a Promoter and has some of the calm that the Imaginer shows. In PCM we do not therefore, speak of types of people, but types in people. However we each have one or sometimes two personality types more obvious in us than others.

The Process Communication Model offers a wealth of wide ranging tools to develop a variety of competencies within an organisation. The strength of this approach lies in the originality of the model's components, which enable to adjust the training investment to match corporate strategy and employees' needs.

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Coordinates of Romanian Natural Gas Market

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Abstract

This work paper analyses Romania's natural gas market. We have analyzed the demand, supply and price elements, taking into consideration also the import price of the natural gas. Trying to identify the concentration level of the market, we have used the Herfindahl-Hirschman Index (HHI). Calculating HHI for the Romanian gas market, we have found a high market concentration. Analyzing statistic data we have also found that Romania has the lowest gas price in the European Union.

Key words: natural gas, Herfindahl-Hirschman index, market, price.

J.E.L. classification: O16, P42

1. Introduction

Marked by a strong geographical imbalance between the production and consumption place and segmented in spite of a certain correlation with the oil market, the natural gas market operates by virtue of its own forces' connections, which strongly vary, depending on regions. Generally, we speak about three distinct markets: Europe, North America, and Asia. Prices are fixed on multiple platforms, and the reference index is found in New York and London. This lack of unit comes from the fact that, unlike oil, the gas is not easily transportable, not permitting the elimination of local imbalances between offer and demand.

2. Coordinates of Romania's natural gas market

Romania has the largest natural gas market of the Central Europe and has been the first country to use natural gas for industrial

purposes. The natural gas market has reached peak dimensions at the beginning of the 80's, after applying a few governmental policies oriented towards the elimination of import dependence.

Offer's bearers on the Romanian gas market are represented by:

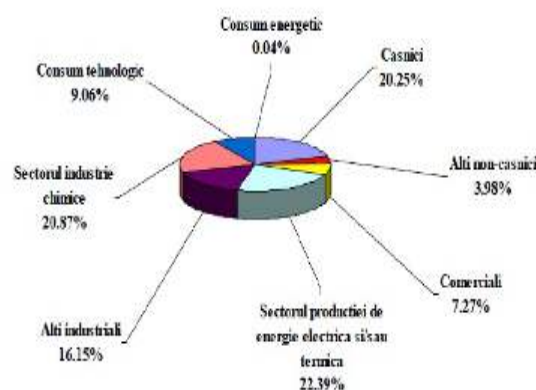
- domestic consumers;
- industrial consumers.

Consumers' categories, connected to the system of natural gas distribution, are the following:

- B.1. – consuming up to 23.25 MWh;
- B.2. – with an annual consumption between 23.26 MWh and 116.28 MWh
- B.3. - with an annual consumption between 116.29 MWh and 1,162.78 MWh
- B.4. - with an annual consumption between 1,162.79 MWh and 11,627.78 MWh
- B.5. - with an annual consumption between 11,627.79 MWh and 116,277.79 MWh
- B.6. - with an annual consumption over 116,277.79 MWh

Taking into consideration domestic consumers' consumption profile, most of them consume annually up to 23.26 MWh, which places them in the B1 category.

Fig.1 Gas allocation in final consumers' categories



Source: www.anre.ro

At the end of 2010, there were 2.7 million consumers recorded, out of which 2.45 million domestic consumers. The structure of natural gas quantities delivered to final consumers in 2010 shows according to figure 1. The highest consumption of gas is recorded at the level of industrial consumers, approximately 80% of the total gas quantity necessary to Romania, in a year.

Dividing consumers into consumption categories is realized by suppliers from the natural gas sector in accordance with the legislation's provisions issued by the National Regulatory Authority in the Energy Field (Autoritatea Națională de Reglementare în Domeniul Energiei (ANRE)).

The offer is given by the quantity to sell, in a period of time, at a certain price.

Within the offer's creation on the Romanian gas market, we can identify at present:

- an operator of the National Transportation System (Sistemul Național de Transport – SNTGN Transgaz SA Mediaș)
- 6 producers: Petrom, Romgaz, Amromco, Toreador, Wintershall Mediaș, Aurelian Oil&Gas;
- 3 operators for underground warehouses: Romgaz, Amgaz, Depomureș;
- 35 companies of natural gas distribution and supply towards captive consumers – the largest of them Distrigaz Sud and E.ON Gaz România;
- 75 suppliers on the wholesale market.
- The natural gas market in Romania is made up by the competitive segment and the regulated segment.

Fig.1 Romania's natural gas market structure



Source: Romgaz

The competitive segment includes the natural gas trading between suppliers and eligible consumers. Inside this segment, prices are freely formed, on the basis of offer and demand. The volume of this market was 8.5 billion m³ in 2008, sold by 32 companies. The main players are Romgaz, Interagro, OMV Petrom, and GDF Suez.

The regulated segment covers activities with a character of natural monopoly and the supply at a regulated price, on the basis of framework contracts. Inside the market's regulated system, prices and tariff systems are fixed by the National Regulatory Authority in the Energy Field (Autoritatea Națională de Reglementare în domeniul Energiei (ANRE)), in terms of their own methodologies.

Activities afferent to the regulated segment comprise: supply of natural gas at a regulated price and in terms of framework contracts towards consumers, management of commercial contracts and a contractual balance of internal market, natural gas transportation, natural gas underground storage, natural gas distribution and transit – except for the transit carried on through dedicated main gas pipe lines (transit under the control of regulations established by international agreements that have founded these main pipe lines).

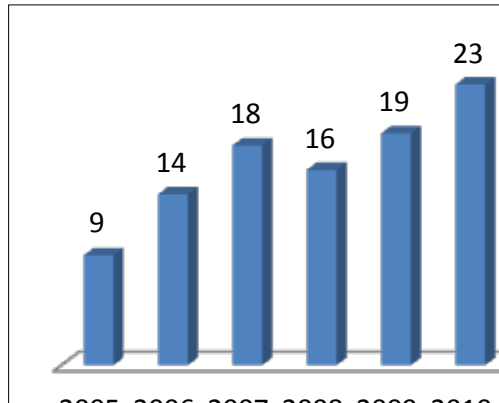
In 2008, the total volume of this market was 4.8 billion m³, sold by 38 companies towards captive consumers. In this segment there are two main players, GDF Suez Energy România and E.ON Gaz România. Each controls approximately 45% of the market.

Starting from data regarding acquisitions-deliveries of natural gas transmitted towards ANRE by licensed operators in this sector, one can analyze the natural gas market from Romania. Thus, in 2010, the internal production of natural gas that has actually been consumed represented 82.84% of sources' total, the first two producers (Romgaz and Petrom) covering 97.40% of this source. The import that went to consumption the current month, current import and extracted from warehouses, has represented the difference of 17.16%.

As for the natural gas distribution, the analysis on the basis of market share indicates the existence of a structure of oligopoly type, under the conditions where

two companies (Romgaz and Petrom) possess an average of 80% of the market share (see annex 1).

Fig.2 Evolution of suppliers' number on wholesale market, 2005- 2010



Source: www.anre.ro

Romania has substantial reserves of natural gas, estimated by Cedigaz to about 630 billion m³. Thus, the country produces internally more than 70% of the total gas consumption. Due to the internal available, the gas has played an important part in Romania's energetic mix, supplying almost 35% of the total energy consumption. As local deposits have been exploited, the local production has lessened from 35 billion m³ in 1988 to only 11 billion m³ in 2009. This decline has made Romania more and more dependent on Russian imports, in order to cover the consumption. Between 2003 and 2008, Romania has imported in average 30% of their gas need from the Russian Federation. This situation contrasts to that of the early 1990's, when our country imported only 18% of their consumption necessities. The year 2009 was a special one, where Romania has dramatically reduced Russian import to approximately 2 billion m³ / year (15% of the total consumption), since the local consumption has been reduced due to the global financial crisis.

The Herfindahl-Hirschman Index is used as a possible indicator of market power or of competition among companies. It measures the degree of market concentration, by adding the market shares' squares of all the enterprises from this sector [6].

To analyze the degree of concentration on the natural gas market, we use the method of market shares in order to determine a synthetic indicator- Herfindahl-Hirschman Index (HHI), by taking into account the total number of competitors and the (production) market share of each, by using the formula:

$$HHI = \sum_{i=1}^n s_i^2 \quad (1)$$

where:

s_i = the (production) market share of each of the „n” competing companies.

The Herfindahl-Hirschman Index is determined as a sum of market shares' squares of all competitors from the relevant market.

The more competitive a market is, the less HHI's value is (each company has a small capacity to influence it by price, quantity, trading method).

Theoretically, competitiveness is naught under the conditions of pure monopoly and maximum when none of the companies has the power to influence the market, HHI having the value zero (or almost zero). Under the conditions of absolute (pure) monopoly, HHI = 1.

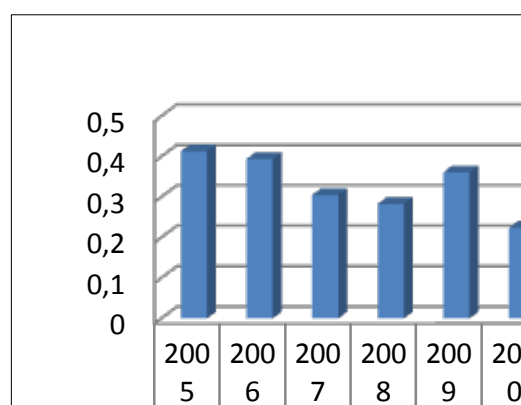
From the perspective of the concentration degree, markets can be:

- atomized: HHI tends to 0;
- medium concentrated with HHI below 0.15;
- concentrated (between 0.15 and 0.8);
- very concentrated (between 0.8 and 1).

Calculating indicators for 2005-2010, we have obtained the following values:

- $HHI_{2005} = 0.4911^2 + 0.4133^2 + 0.0274^2 + 0.0213^2 + 0.0177^2 + 0.0136^2 + 0.0061^2 + 0.0055^2 + 0.0039^2 = 0.413$
- $HHI_{2006} = 0.394$
- $HHI_{2007} = 0.305$
- $HHI_{2008} = 0.283$
- $HHI_{2009} = 0.361$
- $HHI_{2010} = 0.224$

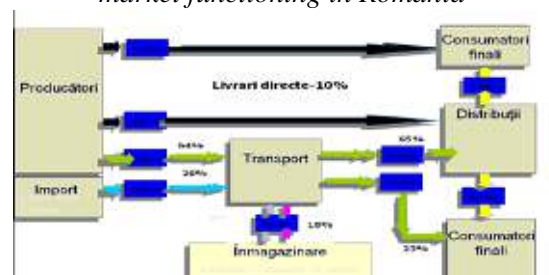
Fig.3 The evolution of HHI between 2005-2010



The value of Herfindahl – Hirschman Index shows a high degree of concentration of the natural gas market in Romania, in 2005, from the viewpoint of production and distribution. Starting from 2006 till 2009, one can see a high concentration, but due to the natural gas market liberalization, we notice a tendency of HHI decrease. We also notice that in 2009, HHI exceeds the value reached in 2007, and in 2010 it reaches the value of 0.224, being near to an average concentration of the market.

The mechanism of the natural gas market functioning in Romania. The Romanian gas market functions as follows: a part of the gas produced by local producers is delivered directly to end consumers (10% direct deliveries), and the rest of the gas reaches distributors. From distributors, the gas goes to final consumers. From producers to distributors, a transportation system is used, a system without which the transfer could not be possible. 18% of the gas produced reaches underground warehouses. When, in the market, there is an excess of demand, the gas stored is reintroduced in the transportation system, and it reaches distributors.

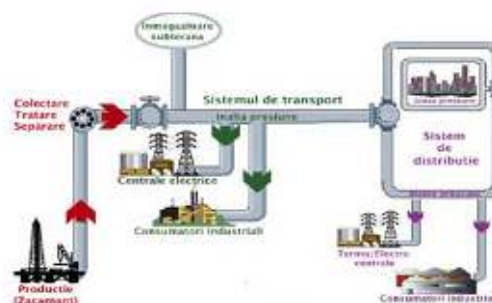
Fig.4 The mechanism of natural gas market functioning in Romania



Source: Romgaz

Physical distribution. The natural gas is extracted by producers and goes to a collection and gas treatment center. From this center, a part of the gas is stored in underground warehouses, and the rest is distributed to final consumers (electric power stations, industrial consumers, domestic consumers, etc.).

Fig.5 Physical distribution on the gas market in Romania



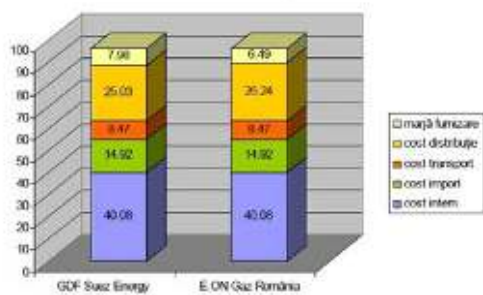
Source: Romgaz

The natural gas price structure. The final price is regulated and calculated by the National Regulatory Authority of Natural Gas, on the basis of an acquisition cost of natural gas, formed as weighted average between the prices of natural gas from internal production and that from import. Prices and regulated tariffs' determination is based on costs recognition justified by natural gas distribution operators. Thus, final regulated prices of natural gas supply cover all the costs with the natural gas ensuring of the final consumer.

In Romania, there are two main suppliers (GDF SUEZ Energy România and E.ON Gaz România) and two main distributors of natural gas (Distrigaz Sud Rețele and E.ON Gaz Distribuție). According to ANRE, at GDF SUEZ Energy România, the final price

paid by the population (for B1 category, meaning an annual consumption smaller than 23.25 MWh) is of 96.48 lei/MWh, the price structure being as follows: 40.08 lei/ MWh for natural gas from internal production (provided by Petrom and Romgaz), 14.92 lei/MWh – for import gases, 8.47 lei/MWh – transportation tariff, 25.03 lei/MWh – distribution tariff and 7.98 lei/MWh – supplier’s margin. At E.ON Gaz România, the regulated price for B1 category is of 96.20 lei/MWh, where the internal gas price is 40.08 lei/MWh, from import – 14.92 lei/MWh, transportation tariff – 8.47 lei/MWh, distribution tariff- 26.24 lei/MWh, and supplier’s margin – 6.49 lei/MWh.

Fig.6 Regulated price structure for B1 category at 1st of October 2009, in lei/MWh



Source: www.anre.ro

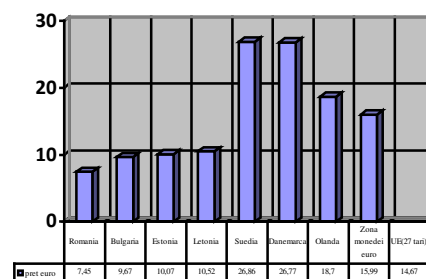
Within the European Union, Romania has the cheapest gas for final consumers.

The gigajoule average price (1,000 m³ = 38.5 Gigajoules) of the natural gas consumed in Romania’s houses was of 7.45 Euro, in the second semester of 2009, according to the last data presented by the European Statistics Office of Eurostat. With this value, Romania has the lowest price of gas in the EU, with a price two times lower than the average of the community block, of 14.67 euro.

Prices closer to Romanian’s can be found in Bulgaria (9.67 Euro), in Estonia (10.07 Euro) and Latvia (10.52 Euro). The highest prices are in Sweden (26.86 Euro), Denmark (26.77 Euro), and the Netherlands (18.70 Euro).

However, calculated in terms of the purchasing power parity, the gas price is, in Romania, higher than the average of the community block. The lowest prices are in Luxembourg, Belgium, and Great Britain.

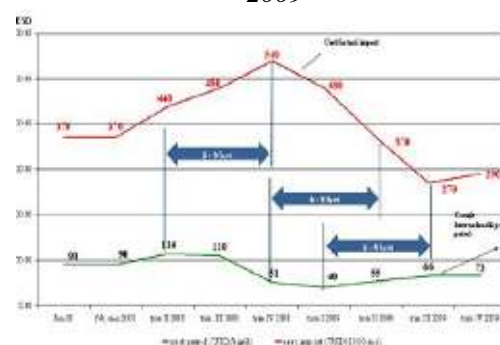
Fig.7 Gas prices in the 2nd semester of 2009, taxes included (€/gigajoule)



Source: EUROSTAT

Import gas price versus oil price. Even if there is apparently not a direct connection between the two products (gas and oil), we observe that in the chart below, gas price on international markets varies proportionally with that of oil’s, with a delay of six-nine months. If in the second semester of 2008, the import gas price tended to rise, reaching at the beginning of the fourth semester a maximum quota of 540 USD/1,000 m³, in the same period, the oil price on international markets was diminishing, reaching a minimum of 51 USD/barrel. Starting with the fourth semester, the import gas price has decreased till 270 USD/m³, at the beginning of the first semester of 2009. The same period, the oil’s international quota has had an oscillating evolution, recording a value of 41 USD/barrel at the beginning of the first semester of 2009. At that time, the price of oil barrel was following an ascendant trend.

Fig. 8 Evolution of oil price and natural gas import price during the 1st semester of 2008- 4th semester of 2009



Source: www.anre.ro

3. Conclusions

In a more and more globalized economy, the energetic strategy of a country is realized in the context of evolutions and changes that take place in the world.

For the creation of competition on the gas market, producers should be active on the mercantile exchange. Nowadays, in the Romanian commodity exchange, the ring of natural gases does not function. The local producers of natural gas sell the merchandise by contracting end consumers or wholesale suppliers. Each producer presents an offer to potential customers.

Since there is a commodity exchange that provides an organized environment for trading, a contracting authority can choose the initiation of public acquisition through the intermediate of the available shares market, if the solicited product makes the object of a ring managed by the respective commodity exchange.

The development of the gas market for the next years takes into consideration the following:

- Development of the competition at the level of gas suppliers;
- Stimulation of foundation and/ or rehabilitation of natural gas deposits, in order to increase the quantity of natural gas from the internal production and the limitation of import dependence;

- Qualification of new suppliers that unfold transactions in the wholesale market, diversifying the import sources;

- Realization of new interconnections between the transportation systems from Romania and Ukraine;

- According to the Energetic Strategy of Romania, for the period 2007 – 2020, the estimations for natural gas resources indicate the availability of this resource for another 64 years, and till 2025, gas resources will be diminished with 1/3, in comparison to the present.

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Annex 1

The situation of natural gas wholesale suppliers in the Romanian market

Wholesale supplier	Market share (%)					2010
	2005	2006	2007	2008	2009	
Romgaz	49.11	54.94	44	39.35	45.28	35.19
Petrom	41.33	29.59	32	33.79	39.07	30.97
Amromco Energy	2.74	2.21	-		-	
Amgaz	2.13	1.86	2	1.58	1.60	1.96
Petrom Gas	1.77	1.98	-	2.03	0.71	
Wise Romania SRI	1.36	6.10	7	10.04	4.74	5.56
Transgaz	0.61	0.58	2	-	-	
Wirom	0.55	-	-	-	-	
Wintershall Kassel suc. Medias	0.39	0.25	0.01	0.09	0.07	0.04
Toreador	-	0.17	0.01	0.13	0.07	
Interagro	-	0.53	1	-	0.003	
EGL Gas&Power	-	0.60	0.01	0.20	0.23	0.31
Electrocentrale Bucuresti	-	0.08	-	-	-	
Azomures	-	0.84	-	-	-	
Falcon Oil&Gas	-	0.16	-	-	-	
GDR	-	-	0.01	-	-	
Aurelian Oil&Gas	-	-	0.01	0.24	0.48	0.27
Cis Gas	-	-	0.01	0.01	-	
Conef Gaz	-	-	6	4.94	2.24	1.81
E.ON Gas	-	-	1	2.37	1.14	0.86
Transenergo Com	-	-	0.01	0.07	0.09	0.08
Amarad	-	-	0.01	-	-	
Amromco Ploiesti	-	-	1	1.61	1.69	1.41
Amromco N.Y	-	-	0.01	0.45	0.64	0.48
Armax Gaz	-	-	-	0.05	0.012	
Arelco Distributie	-	-	-	-	0.01	0.47
GDF Suez Energy Romania	-	-	-	-	1.52	1.03
Lotus Petrol	-	-	-	-	0.1	0.11
AMV Style	-	-	-	-	-	0.23
CEZ Trade Romania	-	-	-	-	-	0.001
Grupul de Comert si Investitii	-	-	-	-	-	0.23
Energon Power&Gas	-	-	-	-	-	0.1
Pado Group	-	-	-	-	-	0.13
Foraj Sonde	-	-	-	-	-	0.03
G-ON Eurogaz	-	-	-	-	-	0.09
Prisma Serv	-	-	-	-	-	0.01

Bukovina - A Romanian Brand Taking Shape

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Abstract

Tourism brand is an important part in promoting a destination, which aims for a central area distinguished from other destinations with similar profile. The distinction is often performed through the concept of singularity, creating the perception in the mind of the tourist, a market perception that often that a better product does not exist. In the present context, most brands facilitate "pre-sell" of a product / service. The brand name becomes a guarantor of this quality without the need for further guidance.

The region of Bukovina is tourist destination renowned both nationally and internationally, but has poor visibility on the international market. This is largely due to the lack of a rigorous regional brand.

Key words: Bukovina, regional brand, tourist destination, SWOT, marketing strategies.

J.E.L.classification: M31

1. Introduction

Every day, people from all over the world take decisions about the next destinations of their investments, about spending their spare time, studies, cultural knowledge or spiritual recollection. Consciously or not, the perception about these destinations influences people's decisions.

The reputation acquired in time by a city, region or even country creates the premises of attracting large masses, and in essence it supports tourism. An important part is played by the „tourist image” – the first impression, other people's references, travel guides etc.- which sell more than any other form of promotion. Tourists are extremely exigent

and careful with details, but most of the time, sensitive and influenceable if persuasion is artfully used by stakeholders. Under these circumstances, a strategical approach of the destination from marketing viewpoint should be directed towards the strengthening of a positive image, the achievement or re-affirmation of the tourist brand.

Brand means quality, safety, consistence, status, belonging - that is everything that tourist destinations need in order to define themselves. Generically speaking, a region's touristic brand means a set of opinions that tourists possess about a certain touristic product, which mostly is considered as the identity of that destination [1]

A brand is the essence of any marketing activity, of any trial to introduce a new product on the market. From marketing point of view, the brand represents that element of image that identifies products and tourist services of an area; it generates the feeling of local pride, recognition and satisfaction for consumers [1].

2. Bukovina – a tourist destination with European aspirations

As a tourist destination, Bukovina is the place where art, religion and natural background co-exist in time and space; it is the place where animals of traction share the same route with the most sophisticated cars.

From a tourist point of view, Bukovina offers sights of a rare beauty, where the “1000 monasteries” built by former Moldavian rulers (Alexander the Good, Steven the Great, Petru Rareș, etc.) reflect. Each of the monasteries has a specific chromatics, that crowns the good companionship of people from these areas: Voroneț (blue), Humor (red), Sucevița (green), Moldovița (yellow), and Arbore (a combination of colours), etc.

The promotion of Bukovina’s tourist brand has become a strategic priority of officials in the county of Suceava, especially after 2007, at the same time with Romania’s integration into the EU. Suceava county’s former prefect, Orest Onofrei, has proposed that the region under his administration to be

called “the county of Bukovina” [1], as a proof of the fact that this brand is well known abroad, and, consequently, more easily to promote in order to attract tourists and investors in the area.

Table no 1 Comparative analysis of the marketing mix

The 4 Ps	Bukovina	Maramureş	Braşov
Product policy	Cultural-religious tourism Religious tourism and pilgrimage Balneary tourism Rural tourism and agritourism active and mountain tourism Business tourism.	Rural tourism and agritourism Cultural-religious tourism Business tourism and team-building Sports tourism Mountain tourism	business tourism cultural tourism rural tourism and agritourism active tourism mountain tourism Ecotourism.
Price policy (medium tariffs)	- double room without breakfast: 70-100 lei/ night; - double room with breakfast included: 100-130 lei/ night; -half-board double room: 130-160 lei/ night.(www.turismBukovina.ro)	- double room without breakfast: 60-90 lei/night; - double room with breakfast included: 90-140 lei/night; - half-board double room: 120-180 lei/ night.(www.infoturism.ro/cazare-hoteluri-pensiuni/cazare-maramures/)	- double room without breakfast: 65-80 lei/night; - double room with breakfast included: 80-120 lei/ night; - half-board double room: 145-250 lei/night(http://www.infoturism.ro/cazare-hoteluri-pensiuni/cazare-brasov/)
Distribution Policy	Forms of tourism: - Travel on your own has a significant weight (www.turismBukovina.ro) - (semi) organized tourism mainly during important religious holidays. Local tourism agencies with incoming activity: Monny Travel, Instant Travel&Tours. Collaboration with large tour-operators is scarce.	Forms of tourism: - (semi) organized tourism is well represented; - Travel on your own is important but knows a slight decline; Local tourism agencies with incoming activity: Expert Travel, Ovesig SRL Sighetu Marmatiei, Etnic Tours 2007 SRL;	Forms of tourism: - (semi) organized tourism is well represented; - Travel on your own knows a slight decline. Local tourism agency with incoming activity: Expert Travel, Ovesig SRL Sighetu Marmatiei, Etnic Tours 2007 SRL; Local tourism agencies with incoming activity are very well represented.
Promotion Policy	- The National Programme of Marketing and Promotion of Bukovina; - Association for Tourism Bukovina (APT); - Bukovina’s Tourism Fair; - County Council of Suceava; - Actions of the University “Ştefan cel Mare” of Suceava.	- www.infoMM.ro; - Association of Tourism Promotion and Development Maramures (Asociația de Promovare și Dezvoltarea Turismului Maramureş – APDTM); - the Association Ecology, Turism Nordica - County Council of Maramureş.	- Association of Tourism Promotion and Development (Asociația pentru Promovarea și Dezvoltarea Turismului Braşov)- APDT; - County Center for the Preservation and Promotion of Traditional Culture Brasov(Centrul Judeţean pentru Conservarea și Promovarea Culturii Tradiţionale Braşov (CJCPCTB); - County Council of Braşov. - Actions of the University “Transilvania” from Braşov.

There is a differentiation of the product policy among the three tourist destinations (see Table 1). Thus, Bukovina focuses mainly on cultural and religious tourism, while Maramures is focused on rural tourism and Brasov on business and cultural tourism.

From the viewpoint of tariffs practiced in these three regions, there are not major differences, which suggest a somehow uniform price policy. The biggest differences appear however in the case of distribution policy. As a tourist destination, Bukovina does not benefit from the powerful support of local tour-operators.

Referring to this analysis, we can conclude that, in order to gain reputation, a brand of international rank such as Bukovina presupposes the re-thinking of the distribution policy and, implicitly, a more efficient collaboration with large European tour-operators.

3. Polling about Bukovina as tourist destination

In order to identify the future action directions regarding the development of Suceava's tourist sector and the strengthening of a powerful local brand, we have considered as opportune, the polling of public opinion, represented by two large segments that have played a primary role in the metamorphosis of Bukovina's tourist region, into an European destination, respectively: *tourists* – as consumers of tourist services and *stakeholders* – a segment which covers all categories of local actors that may influence the quality of the regional tourist act.

Collectivity represents the ensemble of economical units and of people that help creating a favourable image of the tourist destination[2]. The investigation is based on the questioning of 117 tourists visiting Bukovina, and 52 tourism stakeholders. The field research has taken place from the 14th of March to the 2nd of April 2011 and aimed at interviewing tourists found in tourist accommodation units from Suceava, Sucevița, and Gura Humorului and representatives of those units.

The researches' goals and hypotheses have been:

- O1: Identification of tourists' receptiveness towards the usual names of Suceava county.
- H1: Most tourists prefer the name of Bukovina.
- O2: The determination of the most representative tourist attractions from Bukovina.
- H2: Tourists consider that the most worth visiting tourist attractions are the churches and monasteries of whom Bukovina is so proud.
- O3: Representative elements' delimitation that may lead to the setting of Bukovina's logo.
- H3: Tourists, as well as stakeholders, have considered as characteristics of the area: the blue of Voroneț, historical Bukovina's coat of arms and painted eggs with local motifs, considered traditional elements specific to the area.
- O4: Highlighting tourism forms that may be successfully practiced.
- H4: The main forms of tourism that could be practiced are: religious and pilgrimage tourism, balneary tourism, mountain tourism.
- O5: Setting the elements that could lead to the creation of a tourist brand.
- H5: The elements that could constitute a brand are mainly linked to the promotion of religious tourism.

Presentation of studies' results

Referring to the name that this destination should carry, 63.46% of tourists have recommended the use of Bukovina, while a smaller percent (17.31%) prefers the syntagm "The Land of 1000 Monasteries". Less agreed are the variants: Suceava (11.54%) and the North of Moldavia (7.69%), since the first confounds itself with the homonym administrative center or even with Moldavia's old capital, while the second is considered much too general (see Fig. 1).

Fig. 1 – The name of the region to be promoted

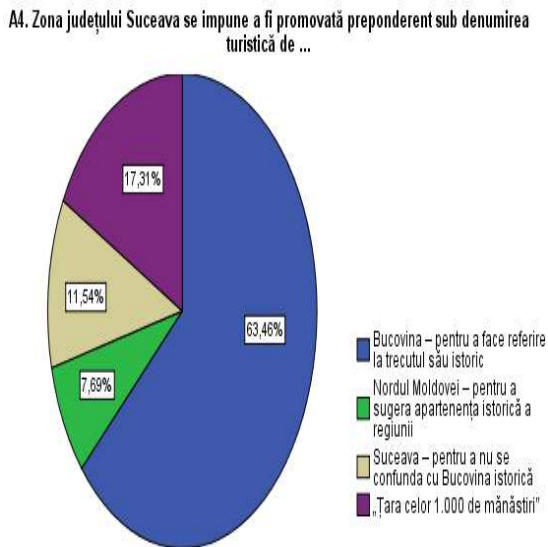
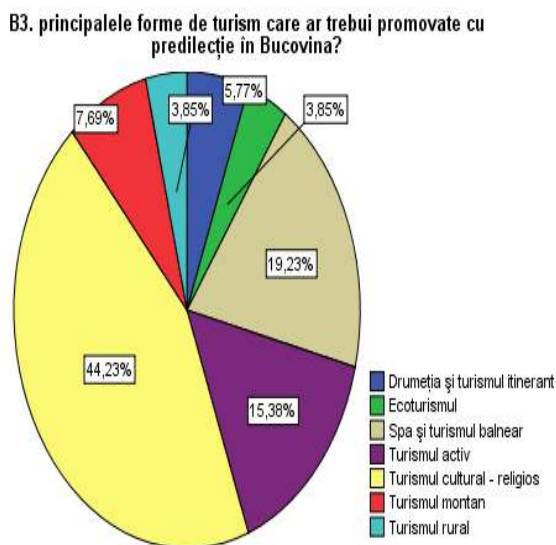


Fig. 2– Defining forms of tourism for the area of Bukovina, according to stakeholders



People interviewed have considered that the Bukovina tourist destination's characteristic elements should be centered upon cultural and spiritual values (50%), knowing that the area is a bastion of Christianity from the age of Ottoman invasions. In order to strengthen this great advantage that local tourism may benefit from, there is a possibility to alternate some specific forms of ecumenical tourism with travels amid nature and rural tourism, forms of tourism advantaged by the beauty of the natural background (19.2%) and the high

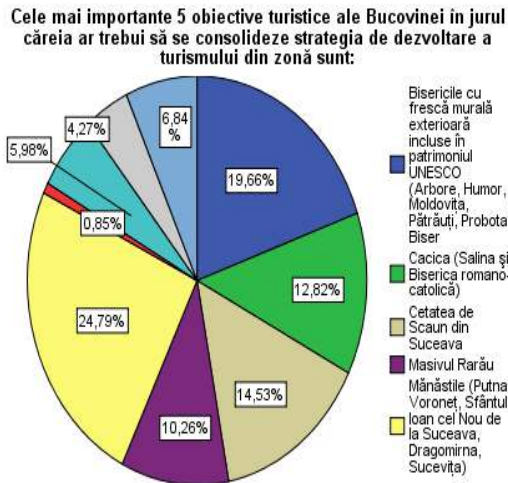
level of preservation of folk habits and traditions (11.5%).

In agreement with the situation in the territory, stakeholders recommend the practice of the following forms of tourism (see Fig. 2): cultural-religious (44.23%) – due to the great number of religious places, some of them included in UNESCO World Heritage Site, spa tourism (19.23%) – as a form of tourism characteristic to the area of Dorna, and exceptionally, to the village of Cacica, active and mountain tourism (23.07%) – forms of recreation trying to attract the young amid nature and to a smaller extent, rural tourism and ecotourism – variants that are practiced on the territory of Suceava county, but that should not have an intensive character.

Among the elements that should be taken into consideration by local authorities in collaboration with the representatives of the Ministry of Regional Development and Tourism, we distinguish the development of tourist material basis through the initiation of projects with European funds, homologation of new tourist routes, especially the urban ones (36.54%), a much better international promotion of cultural events and local habits (15.38%), the preservation of existing tourist fond (11.54%) and the protection of old buildings and historical zones from the urban environment (7.69%).

Tourists that have visited Bukovina consider that the accent of the future tourism strategies should be put on the anthropic patrimony dominated by churches and monasteries (44.45%), as stakeholders from tourism have well emphasized. However, we must say that many of the interviewed tourists have not been able to make a clear distinction between religious buildings with external fresco painting, included in UNESCO World Heritage Site, preferred by 20% of the interviewees, and the other representative monasteries such as: Putna, Râșca, Dragomirna, Slatina or Sfântul Ioan cel Nou from Suceava, agreed by almost a quarter of the interviewees (see Fig. 3).

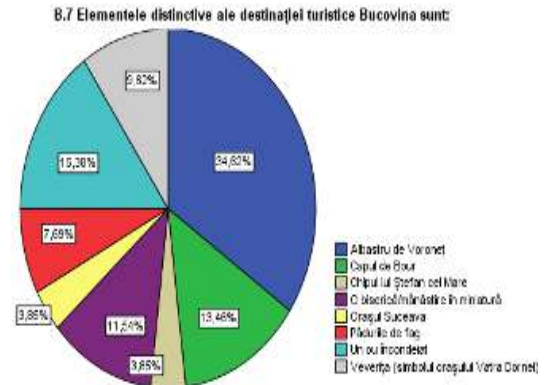
Fig. 3 – The most representative tourist objectives from Bukovina



Also the future regional brand should broaden its tourist horizon by offering of spiritual alternatives (visiting the Roman-Catholic Basilica from Cacica, The Jewish Temple from Rădăuți etc.) or of different type: Suceava's Cetatea de Scaun or Princely Citadel (14.53%), the salt mine of Cacica or spa tourism at Vatra Dornei.

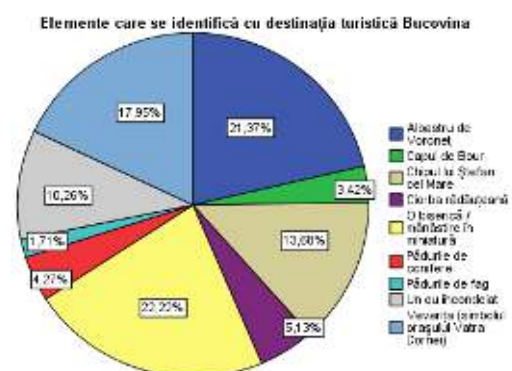
For the elaboration of Bukovina's regional brand, interviewed stakeholders have highlighted the following distinctive elements (see Fig.4), that can be totally or partially integrated in the destination's image or in logo's component: the blue of Voroneț (34.62%) – a pastel colour met only in mural paintings from the Sixtine Chapel of the Orient, a painted egg with traditional motifs from the areas of Ciocănești or Moldovița (15.38%), the aurochs head from Bukovina's old coat of arms (13.46%), a miniature church that is found on the ritual table in the altar of Orthodox churches (11.45%) or even the Squirrel “Mariana” (9.62%), the tourist attraction of the central park in Vatra Dornei resort.

Fig. 4 – Elements that identify themselves with the tourist destination of Bukovina, according to stakeholders



In comparison with questioned stakeholders, tourists have a different vision over the elements that identify with Bukovina (see Fig. 5). The last consider being more representative a miniature church than the aurochs head (3.42% in comparison with 13.46% suggested by stakeholders) or the blue of Voroneț (21.37% in comparison with 34.62% recommended by tourism experts). Tourists have also considered that Bukovina may easily be identified with the image of Stephen the Great (10.26% in comparison with 3.85%).

Fig. 5 – Elements that identify themselves with the tourist destination of Bukovina, according to tourists



To complete the questionnaire-based research, the A'WOT approach of Bukovina tourist area represents a more analytical method of SWOT analysis, which, in addition, introduces the granting of numerical rates to the factors identified within the four classic frames (strengths, weaknesses, opportunities, threats).

Table 2. The A'WOT Analysis of Bukovina tourist destination

Rate	Strengths	Rate	Weaknesses
0.30	The existence of religious edifices included in UNESCO World Heritage Site	0.20	Lack of a famous regional brand;
0.15	The possibility of practicing balneary tourism	0.15	Obsolete material basis or in disagreement with area's specific;
0.10	High road accessibility, good condition of main access points;	0.15	Superficial and heterogenous promotion of tourist objectives;
0.10	Remarkable natural tourist potential;	0.10	Insufficiently trained personnel in the industry of hospitality;
0.10	Possibility of practicing sports and active tourism;	0.07	Lack of important tourist events that should emphasize local habits and traditions;
0.07	Traditional hospitality of owners and staff from tourism industry	0.07	Insufficient measures for the preservation and maintenance of tourist resources.
0.05	Well preserved habits and traditions.		
0.05			
Rate	Opportunities	Rate	Threats
0.35	Including the tourist destination of Bukovina in the catalogues of the important European tour-operators;	0.20	Degradation of art and architectural monuments (especially of mural painting) due to acid rains;
0.15	Creation of partnerships with organisms or foreign investors in tourism;	0.10	Deepening of the world economical crisis;
0.10	European financing for the development of the tourist sector;	0.10	A variable macroeconomical policy;
0.10	Promotion in the virtual environment of Bukovina as a component of a wider tourist region: "the Carpathian Mountains".	0.10	Unfavorable weather conditions that could discourage tourism or other risks and natural -anthropical chances;
		0.10	Migration of tourism qualified labor force;
		0.05	Terrorism

Source: adaptation after Năstase Carmen, Kajanus Miika – Universities'Role in a Regional Innovation System – a Comparative A'WOT – Analysis, Amfiteatrul Economic Journal, Bucharest, Romania, vol. 10(23), pp.219-224

The tourist potential's inadequate capitalization, the material basis obsolescence, loss of traditions and habits could be, at least, partially converted in strengths, by implicating local authorities in the arranging and maintenance of tourist attractions or by manifesting a greater receptiveness towards the natural and anthropical tourist potential.

Through the collaboration of tourist services' direct performers with units of higher education or with the formation centers and reconversion of the personnel, the improvement of tourism personnel could be achieved, thus compensating for the lack of qualified personnel in the industry of hospitality.

However, the most problematic seems to be the fact that there is only a declarative interest for the brand of Bukovina, when any tourist zone aspiring to become an international tourist destination allocates substantial funds for the identification and

efficient capitalization of defining tourist elements.

4. Conclusions and proposals

Bukovina does not have a very well structured brand character. Most of the time, tourists associate Bukovina to an ensemble of churches and monasteries. Unfortunately, as it also happens nationally, the local tourist offer has not known substantial retouches in the last decades, so it has favoured the weariness of tourist image in comparison with other destinations, such as Maramureş or Braşov.

To conclude, one may appreciate that Bukovina remains one of Romania's symbolic tourist destinations, which is reiterated by tourists and also by stakeholders. In order that Bukovina should keep the status of a representative tourist region for Romania, it is necessary to take a series of strategic marketing actions:

- the directing of Suceava public authorities' interest towards a more efficient administration of real problems that Bukovina tourist destination faces (general infrastructure inadequate to European standards, obsolete material basis, low international visibility, architectural kitsch);
- performing quality tourist services by tourist units, as well as by local entrepreneurs, with a fair quality-price ratio;
- although cultural-religious tourism has a dominant character, it is necessary to alternate more forms of tourism- balneary, rural and agritourism, active, mountain, ecotourism- meant to attract a more diversified range of tourists;
- in the future, local authorities should canalize to carrying out measures for the acquiring of the European tourist destination's status and for the constitution of a regional brand to promote the tourist product of Bukovina.

The main directing lines that define the brand of Bukovina are in our opinion the following:

- the name of the brand could be Bukovina, but from tourists' viewpoint, a higher rate of representativeness has also the syntagms: The Country of Beech (Țara Fagilor) or "The Land of 1000 Churches" ("Țara celor 1000 de biserici");
- Although it is not explicit, Bukovina's logo consists in the national chromatic (blue), multisecular history (aurochs head, the image of Stephen the Great, etc.) or the spiritual particularities deeply rooted in the area (the Orthodox religion). The strengthening and promotion of a unanimously accepted logo could help Bukovina acquire a suggestive and unitary image in tourists' minds, especially foreign ones';
- The slogan of Bukovina's brand has varied from "Come as a tourist, leave as a friend!" to the syntagm "Come to Bukovina!" promoted by the County Council of Suceava, starting from August last year, and at present, it has reached the highest point with "Come to Bukovina! You shall not regret!" promoted by local authorities in annual actions such as Christmas in Bukovina, Easter in Bukovina, and Pilgrim in Bukovina.

Brand personality should deserve to be improved if not by deep development of

services to be performed in Bukovina, than by a territorial diversification of tourist circuits or, why not, by collaborations and extrapolation of interest area to adjacent areas: Maramureș, Neamț, the region of Cernăuți.

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The Income Statement: The Image of Financial Performance of a Public Health Entity

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Abstract

*The paper presents the **Income Statement** which has been introduced as a new element for the Romanian public health institutions since 2006 in order to provide information regarding financial performance. Deep restructuring was the result of acknowledging income when establishing rights and expenses at the moment of recording liabilities. This modality of acknowledging income and expenses has led to a reconsideration of the concepts of public accounting, thus leading to the income statement (the performance statement of the public health entity). The information extracted from it helps the managers of the entity to make decisions, to formulate development plans for the assets, to draw up budget plans for the income and expenses of the public health entities.*

Key words: income statement, financial performance

J.E.L classification :M40.

1. Introduction

The income statement has been introduced as a new element for the Romanian public health institutions since 2006 in order to provide information regarding financial performance. The information about the entities' performance (the income statement) is employed by users:

- to assess the possible modifications of the entities' financial resources which can be controlled in the future. Their evolution in time is also highly significant in making decisions.

- to anticipate the entities' ability to generate cash flow using existing resources.
- to formulate interpretations on the entity's efficiency to use new resources.

2. Income statement and its use in decision making

The patrimonial income statement presents the situation of income (financing) and expenses during the current financial year. Income and financing are presented according to their nature and source, regardless of the fact that they were paid or not. Expenses are presented according to the category to which they belong, according to their nature or destination, regardless of the fact that they were paid or not. The patrimonial income statement also presents the calculated revenues (for example, revenues from commissions and value adjustments) which imply care their collection, as well as calculated expenses (for example, amortization, commission and value adjustment expenses) which does not imply their payment.

The patrimonial result is an economic result that expresses the financial performance of public health entities, surplus or deficit. This result is determined for each financial source and as a totality, as a difference between the produced revenues and the expenses incurred during the current financial year.

According to national standards, the structure of the income statement of a certain financial year also comprises categories of income as intermediate capital accumulations, this category including: operating result, financial result and extraordinary result.

The components that enter the calculus relation for each result category and the modality to determine the result are the following:

- **operating result** – determined as difference between operating revenues and operating expenses, it comprises the following elements, according to Table 1.

Table 1. Model for the determination of operating result

OPERATING REVENUES	OPERATING EXPENSES
a) operating revenues: - financing and revenues from economic activities, - revenues from subsidies and budget allocations with a special destination, revenues from properties and other activities, - special funds revenues and budget revenues, - revenues from commissions from operating activities.	b) operating expenses: - personnel expenses , - stock expenses - expenses on work and services executed by a third party, expenses on other services executed by a third party, - other operating expenses, - other budget-financed expenses, - capital expenses and budget expenses, - operating expenses with amortization and commission.
<u>Operating revenues – operating expenses = Operating result</u> <u>SURPLUS/DEFICIT</u>	

- **financial result** – in turn, it is determined as the difference between financial revenues and financial expenses, its structure comprises the following elements, as it can be seen in Table 2.

Table 2. Model for the determination of financial result

FINANCIAL REVENUES	FINANCIAL EXPENSES
a) financial revenues: - revenues from sales of financial	b) financial expenses: - Losses from claims related to

assets - revenues from financial properties, - revenues from debt assets, - revenues from foreign exchange, - interest revenues, - other financial revenues.	participation, - expenses on financial investments, - expenses from foreign exchange, - interest expenses, - other financial expenses,
<u>Financial revenues– Financial expenses =</u> <u>Financial result</u> <u>SURPLUS/DEFICIT</u>	

After determining the financial result, we can determine the current result using the following formula:

$$\text{Current result} = \text{Operating result} + \text{financial result}$$

- **extraordinary result** - formed on the basis of those elements which are not related with current activity or investment activity of institutions, as their difference, as can be seen in Table 3.:

- for extraordinary revenues: revenues from extraordinary appreciation
- for extraordinary expenses: expenses on losses and depreciation.

Table 3. Model for the determination of extraordinary result.

EXTRAORDINARY REVENUES	EXTRAORDINARY EXPENSES
a) extraordinary revenues: - revenues from extraordinary appreciation	b) extraordinary expenses: - expenses on losses and depreciation.
<u>Extraordinary revenues –Extraordinary expenses =Extraordinary result</u> <u>SURPLUS/DEFICIT</u>	

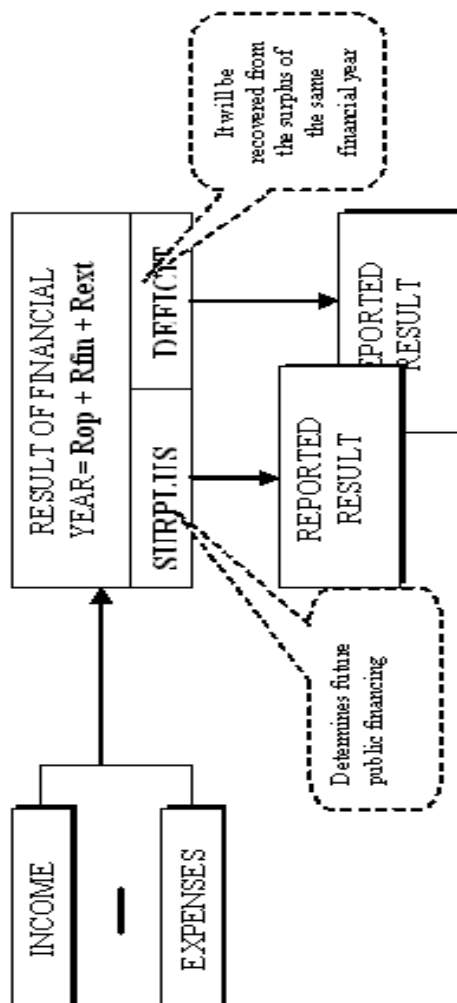
The result of the financial year – formed from the sum of the three types of results is determined as such:

$$R_{\text{year}} = R_{\text{op}} + R_{\text{fin}} + R_{\text{ext}}$$

The forms taken by the result of the financial year lead to indicators such as the **ordinary result**, formed by the sum of operating result and the financial result which are the base for the determination of intermediate balance as balances of potential public capital

The result of the financial year may take two forms, Surplus or Deficit, which is transferred on the reported result to cover the surplus or to report the deficit as it results from Figure 1.

Figure 1. The performance of the public health institution – Income statement



According to IPSAS 1, revenues and expenses, as elements of the financial performance of the public health entity, are structured within ordinary activity as:

- operating revenues and expenses, with corresponding results;
- non-operating revenues and expenses, with corresponding results.

It is worth mentioning the fact that the model proposed by accrual accounting presupposes that each type of result (operating, financial, extraordinary) should determine the surplus and/ or the deficit, so that the global result is to register a surplus or a deficit.

From the information sources analyzed on the level of a public health entity we may observe that they record *operating revenues* after financing, subsidies, transfers and budget allocations with special destination, and also after some operating revenues resulting from a series of individual activities specific to health institutions (different medical services – lab analysis). As far as operating expenses are concerned, they are recorded in connection with wages and social contributions offered to employees, subsidies and transfers, stocks, supplies, capital expenses (amortization and commissions) and other operating costs necessary for a good activity in progress.

As far as *financial revenues and expenses* are concerned, the majority of entities do not benefit from them due to the fact that they do not have an account or a deposit in commercial banks, and credits are contracted only by central units.

Extraordinary revenues and expenses appear only in special cases, for example in case of natural catastrophes or in case some fixed assets are to be sold.

National regulations include in the set of financial situations of public health entities the *Budgetary execution account* which comprises all the operations from the collected income and the payments made, thus checking the modality used to arrive at a certain income and expense in the income statement.

Drawing up an execution account for the entities financed from the FNUASS budget supposes overtaking of the collected income from the debtor turnover of account 5711 „Available from FNUASS”, on the structure of budgetary classification and their

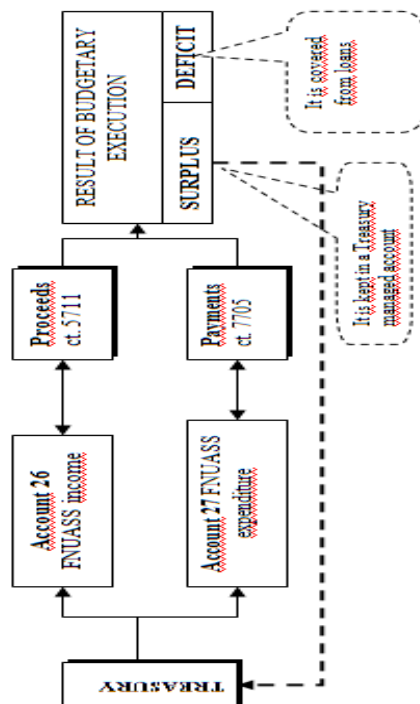
comparison with the information included in the deposit account 26 „Income of budget FNUASS”, and as regards the expenses, their comparison takes place between creditor turnover of account 7705 „Financing from budget FNUASS”- representing net cash payments, on the structure of budgetary classification – and Treasury account 27 „Expenses in budget FNUASS”

The structure of the execution account approved in the budget of the public health entity must include:

For revenues: budgetary provisions, recorded income, proceeds, income receivable.

For expenses: information regarding budget appropriations, legal appropriations, payments, payment commitments and actual expenditure.

Figure 2. Checking of budgetary execution account by Treasury managed accounts



3. Conclusion

In conclusion, we can state that the **result of the financial year** is the indicator that appreciates the activity as a whole for a public health institution, indicating, when the result is positive, the existence of a potential accumulation source which can finance a future financial year, or, when its values are negative, a covered deficit. It is extremely

important that managers should depend on the evolution of this indicator when making future decisions, but they should not neglect an optimal ratio between the result of the financial year and the budgetary execution result which should, in turn, enable the development of the financial activity, without any disequilibrium. Moreover, they should observe the modality of resource allocation, so that the level of assets generated and their use may be optimal, so that the level of total debt to their own capital should be guaranteed.

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Cloud Accounting

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Abstract

In the present day context of globalisation as well as the effect of crisis on the economy, the evolution of companies, regardless of the specific area where they activate, should abound in keywords such as optimisation, added value, cost cutting, efficiency increase, and profitability. In this respect, cloud accounting represents a new organisational model where the IT&C supporting companies' accounting services, are provided as online services, with users accessing software applications over the internet, without specific infrastructure or platforms and without holding the relative licences, in exchange for a monthly fee. This paper aims to present today's issues facing the increase in the efficiency of IT&C services that support companies' accounts. Aspects related to the concepts of Cloud Computing, Infrastructure as a Service, Platform as a Service, and Software as a Service will be analysed. In addition, the advantages, disadvantages and risks of cloud computing as well as the implementation of this new technology in the acquisition of IT&C services supporting companies' accounting.

Key words: Cloud computing, IaaS, PaaS, SaaS, Cloud accounting

J.E.L. classification: M4, F3, H8, Q56, D8, G1, L8, C6, C8, D5, L6,

1. Introduction

At a time when global economy is announced to be heading rapidly towards a new recession, financial difficulty makes the businessperson's daily agenda. In order to achieve the company's strategic objectives and create a healthy organizational culture, it is always important to take into account two key factors: development strategy and human

resources strategy. Thus, current economic conditions set the stage for new trends in technology, focusing now on the concepts of efficiency in terms of cost and environmental protection.

In order to survive the current economic climate companies need more flexibility and malleability of IT&C equipment and services to help them keep costs under control. Given that companies plan investment in IT&C infrastructure much more carefully and are increasingly aware of the maintenance costs related to these infrastructures, more and more providers of IT&C services redirect towards offering their own solutions in the form of SaaS (Software as a Service).

As the amount of information keeps growing, companies are looking for solutions to provide fast and easy access to data and software applications in an efficient manner in terms of cost and maximum availability. These solutions have been developed due to the unprecedented progress in IT&C technology and the extension of the Internet so that, nowadays, almost all the IT&C resources are available and can be placed on the Internet and can be shared by users: both software (applications) and data / information is made available via the Internet on the user's computer upon request (on demand), just like ordinary public utilities such as water or electricity.

As the market totally changed, companies were forced to further streamline operating processes, reduce costs and to impose themselves more aggressively on the competitive market. In this context, the largest IT&C companies started creating more and more virtualization and cloud computing technologies, which would play an increasingly important part not only in the activities of various companies but also in the end-users'.

Virtualization has emerged from the need to develop more and more computing resources running on the same physical

machine, eliminating the use of inconsistent and expensive servers dedicated to the same operations. A physical server can host multiple absolutely transparent virtual servers, which do not require additional costs and can be managed very easily. Virtual servers have the advantage they can be easily moved from one host machine to another without affecting the continuity of processing. Virtualization is a component of physical infrastructure and can be used as foundation for cloud computing infrastructure whose main role is to provide IT&C support.

Cloud computing is one solution using IT resources outside the company that can be configured according to requirements: servers, storage space, applications and services. Using the cloud is made on request (on demand) and in varying amounts (elastic). It is an online delivery model of services and applications and does not require its own infrastructure or software licenses as these resources can be accessed on the Internet through a simple terminal or mobile device and a browser.

An application (software) like cloud computing (cloud application) uses the web as a single, unique component within its architecture, eliminating the need to be installed on a computer. The requirements that cloud computing applications must meet are: general access (from anywhere via the web), self-service (the capacity to have your own available resources), elasticity (the ability to increase or reduce the resources allocated in terms of minutes/hours), scalability (the access to quasi-unlimited resources when the work load demands it), usage metering (the ability to measure resources consumed at any time and pay accordingly).

2. The concept of cloud computing

The concept underlying the development of cloud computing dates from the '60s, when John McCarthy said, "computer systems could someday be organized as a public utility." Later on, we had the '70s when mainframe computers occupied an entire floor of a building. Then came the early '80s when personal computers, operating systems and personal applications appeared. After this period, we proceeded to small servers and the

client-server concept (by the mid-'80s). Then came the Internet, multimedia applications and collaborative and integrative applications with the possibility of their hosting on the network and when specialized companies create servers infrastructures to be rented for hosting applications, web pages and processing power (in the mid-'90s). The situation changed by the mid-2000s, when the emergence of new concepts such as social networking, software and service and cloud computing.

The first people who implemented this idea were the engineers from Amazon in 2002. It all started from the observation that computing centres serving the enormous virtual library were in actual fact using only 10% of their capacity, while the rest was kept as a reserve to cope with potential overload. While trying to upgrade the infrastructure, the specialists were counting on virtualization and centralization, so that the necessary processing power could be dynamically sized and simplifying maintenance and/or the addition of new facilities. This new infrastructure also enabled the company to provide processing power to external customers, so that in 2006 they launched the Amazon Web Service (AWZ), the first practical manifestation of the concept of computing power as public utility [05].

Cloud computing is a modern concept in IT, consisting in a set of distributed processing services, applications, access to information and data storage, without the user's need to be familiar with the physical location and configuration of the systems providing these services [04]. The term "cloud computing" is derived from a symbolic graphical representation of the Internet cloud-shaped image ("the cloud"), used when the technical details of the Internet can be ignored.

The definition of AppNor "A solution to use external IT resources, configurable according to client's needs: servers, storage space, applications and services. Using the cloud is made on request (on demand) and in varying amounts (elastic). It is a model of online delivery of services and applications and does not require own infrastructure or software licenses, since Internet resources are accessed through a simple terminal or mobile devices"[03].

The definition given by the National Institute of Standards and Technology (NIST) in the United States is widely accepted and seems to gain popularity in the United States and in Europe: "Cloud computing is a computing architecture model whose aim is to facilitate easy access and upon request, through a network, to a shared collection of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be planned and distributed quickly with minimal effort or interaction management service on the part of the provider." The key phrase is "on-demand access to a collection of shared computing resources." [02].

Cloud computing represents a significant evolution of the way information technology and services are supplied. By the ability to access a collection of computing resources on-demand in a self-assisted, dynamically scaled and metered, cloud computing provides attractive advantages in terms of speed, agility and efficiency. Cloud computing is based on a foundation of technologies such as grid computing, including clustering, server virtualization and dynamic planning, as well as shared services SOA-type and automated large-scale infrastructure management. Cloud computing relies on it and adds new features, such as self-service, dynamic scaling, and pay per use.

The types of cloud computing based on resource availability and use are presented below:

- private cloud – the existing infrastructure is operated solely by one company and can be managed by the respective company or by a third party. This model is similar to grid computing and database machines;
- community cloud – the existing infrastructure is shared among several companies who have common interests or joint objectives and can be managed by that community or by a third party;
- public cloud – the existing infrastructure can be accessed by any user with access privileges. The infrastructure is owned by a company providing services;
- hybrid cloud – the existing infrastructure is made up of two or more of the above types of organization, that

remain unique entities but are linked by standardized or customized technology that allows portability of data, applications and services.

The features of cloud computing are the following:

- service-based - developed to meet a specific need, the user cloud computing does not need to invest in hardware or software, except those he or she uses to access services (e.g., web browser), focusing on the benefits offered by the service and not on how it is implemented;
- scalable and flexible - this attribute refers to the system's ability to re-allocate resources dynamically, up or down, in a granular manner. The dynamic allocation and re-allocation of resources and on demand underlies elasticity;
- metered by use - services are quantified by means of usage metrics that allows for various payment methods. Payment will be made according to usage;
- shared - shared services using various resources in common to enable scale savings, IT&C resources are used with maximum efficiency;
- uses Internet technologies - services are provided through the use of credentials, formats and protocols;
- broad network access - geographically unlimited access. Remote network access: technology can be accessed via public network and from any location;
- on-demand self-service - use on-demand. On-demand self-service for consumers: the technology is available to end users without requiring internal IT department intervention;
- pooled resources - resources organized into groups.

Cloud computing services are classified into three broad categories:

- IaaS (Infrastructure as a Service): specialized cloud computing companies buy hardware and Internet bandwidth running various operating systems. For a certain period of time, users rent memory and computing power from them;
- PaaS (Platform as a Service): it is a complete platform for developers enabling them to access servers through a private network, in order to build and test applications;

- SaaS (Software as a Service): i.e., applications, used on a daily basis, for ordinary users who are hosted in the cloud.

3. Cloud computing: advantages and disadvantages

Cloud computing (CC) comes with some very important advantages, especially for companies that do not have the adequate IT&C infrastructure and/or do not have a local technical expertise:

- Reduced costs: CC leads to the reduction of IT&C infrastructure costs; costs of equipment storage areas, equipment, licenses, utilities and operating personnel. Optimization of operating costs;
- Scalability and flexibility: CC provides services as much computing power as needed. The scalability and flexibility associated with infrastructure as service allows the allocation and de-allocation of resources according to needs. Dynamic expansion or contraction based on requirements;
- Increased agility and reactivity: having a flexible infrastructure and software architecture, the company can respond quickly to punctual performance, storage or overload requirements;
- Flexibility: CC offers the greatest flexibility and is the perfect choice for beginners who do not wish to invest their time in learning the logistics of web site hosting;
- Controlled use of resources: the ability to control the use of resources, as billing is based on what the company has actually used. The possibility to predict and make adjustable monthly plans;
- Licenses and updates: no need for the company's IT&C department to be concerned with licensing and future updates relative to hard drives and software, as this activity enters the scope of service providers;
- Remote access (Remote Access): employees, business partners and clients can access and update information wherever they are;
- Improved collaboration: the software provided by means of CC can be used at any time, with almost any type of device

that has internet connection, which is an advantage that ensures better cooperation, especially for companies with employees in several locations;

- Protection from disaster: the company is able to store data securely in a data-center, allowing data to be restored as long as there is an internet connection without affecting their safety and integrity (redundancy and secure data backup);
- Easy to implement as and manage: CC service implementation is easy and requires no specialist training. It is much easier to manage;
- Experienced suppliers: the company benefits from high professional CC services;
- Availability and response time: in most cases, the CC providers ensure a very good response time. Qualified personnel ensure uninterrupted operation of the platform;
- Economic advantage: significant reduction in the time for market launching, high yield investments, capital costs (investment) conversion into operating costs;
- 14. Technological benefits: the company benefits from virtualization and automation.

There are some concerns preventing companies to make the step towards cloud computing:

- Security: many companies are not comfortable with entrusting sensitive data to some public cloud sites, where they do not have total visibility and control;
- Service quality: as some CC services may not fully guarantee their levels in terms of operating performance and availability:
 - a) Performance: the solution may not achieve financial goals, the solution may not work in the context of organization culture; the solution might be hard to develop due to the difficulty of integrating services included in CC; sacrificing SLAs (Service Level Agreements) in favor of flexibility;
 - b) Availability: another important problem is when, for some reason or accidentally, the CC provider is forced to

stop their activity. It may be the case of delays or service interruption;

- **Compatibility:** the ability to integrate with the company's internal systems and adapt software-applications-as-a-service (SaaS) to company's business processes;
- **Confidentiality:** once companies place their data and applications in the cloud, they should be aware they are at risk that CC service providers can access these data and monitor any operation very easily;
- **Legality:** most times, it is impossible for companies to know exactly where the stored data are located and they are at risk of unintentional 'export/import'. What may be legal in one country may be illegal in another country where corporate data is located;
- **Loss of independence:** as in the case of outsourcing other services, some economic benefit is gained but a certain degree of freedom is lost since the control of computer resources is lost and the company becomes dependent on the service provider;
- **Computer identity:** the CC service provider must ensure absolute control of the company over its elements of identity - authentication and authorization of access;
- The possibility of malicious attacks is intensified.

4. Company accounting and cloud computing

Cloud accounting is a modern concept in computer processing of accounting data based on the concept of Cloud Computing [04], which represents a set of distributed computing services, applications, access to information and data storage without the user having to know the physical location and configuration of systems providing these services.

Traditional applications for financial accounting require many specific conditions, which makes them too difficult to manage and too expensive for small businesses. In order to work, they need servers, storage, networking, Internet bandwidth, storage capacity, etc. In addition to these requirements, it is also necessary to have a

team of experts to install and configure all these and then another couple of experts to maintain them.

Another problem common to many companies is related to data and business processes fragmentation, which leads to difficulties in their optimal activity. Due to fragmentation, IT&C systems require integration, i.e., an extra effort to get a centralized system for the analysis, reporting and monitoring of processes. Consequently, due to fragmentation and significant extra effort required, operational costs are also increased.

Most of the times, small and medium sized companies are unable to benefit from a performing ERP (Enterprise Resource Planning) due to high costs and keep using traditional software with insufficient functionality. A powerful software would be too expensive and too large an investment for this category of companies. However, the flexibility and low cost of cloud computing technology enables companies of all sizes to use the ERP technology much easier as a service utility.

With Cloud Computing technology, a company's accounting becomes much easier in that they can benefit from all advantages presented above: one can use a data centre where these applications are stored, there is no need to purchase infrastructure or software, everything is reduced to the existence of an Internet connection, the existence of a browser and payment of a monthly subscription, there are no hidden costs, and they are more scalable and elastic, benefiting from an increase in agility and reactivity, they are more flexible, more reliable, receive automatic upgrade, can get the latest technology with minimal costs and enjoy new features without any effort, can be accessed from anywhere as this runs entirely through the Internet, are easily implemented, managed, and customised, are integrated and can take advantage of their expertise.

With these technologies, accounting software is ready to meet more complex requirements and activities, greatly facilitating the activity of companies' financial-accounting departments. They can provide: the customised accounting monograph used by means of pre-defined formulas for different types of accounting

transactions and documents, the possibility to create conditional accounting rules useful in a variety of cases; the automatic generation of accounting notes for all types of operations and primary documents within accounting modules; the possibility to report costs and revenues on cost and profit centers; the automatic check up of the correlation between management and financial accounting on stock balances, clients, suppliers, stock circulation; the preparation of various periodical statements and synthetic reports as necessary; the preparation of accounting reports in equivalent accounting systems by defining alternative accounting plans with reference to various standards (IAS, IFRS, GAAP); the generation of the balance sheet and profit and loss account report as well as the possibility of defining various other indicators; the automatic check-up of the correlation between debit and credit cash flow and account balances in the balance sheet as well as stock circulation and primary documents in the other modules of the financial and accounting application.

As the cloud computing innovations focus on fast-paced and effective delivery of services to the business environment (and especially the financial accounting field), companies and service providers of management solutions (MSP) face radical changes in terms of information technology. Thus, most companies are moving towards a virtually private data centre (private cloud) in order to maximize application efficiency and reduce server downtime (the downtime). The main challenge faced by companies in this respect is the complexity of online applications, whose implementation demands a drastic simplification in order to maintain flexibility of IT&C.

The first step is the development of "private cloud" cores in the controlled framework of companies. These cores will then merge into a "private cloud", real-built and controlled by the company in question. Thus, data management is much easier to achieve, based on the flows already known and learned both managers and employees.

5. Conclusions

Companies' access to cloud computing applications is, first, lower costs, and second, a more efficient use of resources and their strict adaptation to current needs, with on-demand self-service access to a public pool of computing resources, in a measured and dynamically scaled manner. Cloud computing has generated a technological revolution for small businesses, offering access to a range of capabilities that only large companies can afford. By using Internet connections and browsers, small- and medium-sized companies can have access to high-level IT&C services. Given the current crisis, the Cloud Accounting option enables companies to cut costs dramatically and reduce acquisition costs relative to the infrastructure necessary to the use of an integrated system and make use of software as a service utility, minimizing the initial investment effort. Considering the potential of financial savings, this solution is ideal.

6. Acknowledgment

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Outsourcing Company Accounting

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Abstract

Taking into account both the development of information and communication technology and the effects of the current recession on global economy, outsourcing company services has been booming all over the world as it is regarded as a way to meet the strategic goals of cutting costs, improving the satisfaction of the clients' expectations, and of increasing company efficiency and effectiveness.

The paper aims at presenting the current issues of outsourcing accounting professional services and IT support of the company accounting. We have analysed aspects referring to the concept of outsourcing, outsourcing management, and BPO (i.e., Business Process Outsourcing). The advantages, disadvantages, and risks of outsourcing have been pointed out. In addition, the process of outsourcing financial – accounting as well as IT&C services in support of company accounting have analysed.

Key words: Outsourcing, BPO, Cloud Computing, IT & C Infrastructure

J.E.L. classification: M4, F3, H8, Q56, D8, G1, L8, C6, C8, D5, L6,

1. Introduction

Within the current economic context where the leitmotif of the companies surviving on the market has become cutting / optimising costs, an important solution, available to any company is outsourcing certain services connected to the company operations such as the IT&C, logistics, financial – accounting, legal, and human resources.

In their attempt to minimize costs and maximize profit, the companies' interest in outsourcing some of their services and even

functions has increased. Outsourcing means delegating some managerial tasks to third parties based on contracts. Although this approach has a series of potential advantages, it raises a series of specific problems detailed in this paper.

We are going to highlight some of the main arguments that answer the question why outsourcing services connected to the company operations an important solution in cutting / optimizing costs. The answer to this question would be as follows: because it helps to cutting personnel costs; it reduces administrative costs; it offers to the managers the opportunity to concentrate on their company's basic operations; it reduces risks connected to the correct application of all legal amendments, by receiving consultancy from the supplier who has more expertise in the field. Moreover, investments in software programmes (e.g. accounting, wages calculations, legislation, etc.) and their upgrading, as the supplier of such services is responsible for such investments and shares the costs thereof with other beneficiaries; a constant flexibility according to the client company requirements by compiling reports in the format agreed by the parties.

Large companies prefer to transfer these activities to some specialised companies because they have understood they can do such things for them more efficiently. In addition, by guaranteeing a high standard service under the SLA (Service Level Agreement), they are sure that things are going to happen according to their wish, as they only need to ask and wait for results according to the contract terms.

The expansion of the Internet network, the globalization of the economic environment, and the increases technical performance of the equipment have led to a progressive growth of the phenomenon of companies' outsourcing services.

As the new business model characteristic to global economy expands, more and more companies all over the world are compelled to seek outside their own company for highly qualified human resources. This is why most of the Western companies focused on companies specialised in providing services, in search for an ideal balance between high standard professional services and cost-efficient solutions.

Within the context of a crisis, this seems to be the solution for most companies, which want to provide the same quality services, but to reduce significantly their budget allotted to certain activity areas.

2. Outsourcing as a concept

Outsourcing is the delegation of some tasks or objectives to some organisational segments that belong to other entities, which offer a better quality price ratio or have expertise in specialized areas [15]. To outsource services means to delegate one or more activities within a business to an outside service supplier, who conducts and manages such activities based on some well-defined and measurable performance standards. In other words, outsourcing means to transfer an activity from within the company outside it. Such activity is to be conducted by another company specialised in such activity.

The IT & C literature [07] defines outsourcing as representing such practice by means of which companies contract centres that specialise in supplying IT services, within communication networks or software developers with a view to transfer a part / function of their own informational system. Another definition says that outsourcing is a strategy by means of which an organisation assigns major functions to outside suppliers, who specialise in certain fields and who thus become "valued business partners".

However, outsourcing, whether it is off-shoring, near-shoring, or multi-sourcing, or crowd-sourcing etc., does not mean merely loan in the IT & C industry, but IT service outsourcing as well [16].

"Offshore" is another term used in the field and means to delegate an activity to a service supplier, who, from a geographical viewpoint, is located at a great distance from the company clients [16].

"Crowd-sourcing" is a more recent type of outsourcing, which promises further reduction of costs as well as of global economic changes over the last few decades due to outsourcing. Crowd-sourcing means carrying out a temporary collaboration between the company offering the problem and any agent offering a solution [16].

3. Outsourcing financial - accounting services

In Romania, Law no 82/1991 of 24 December 1991, the law of accounting – republished and updated [14], provides under item 10 (3) as follows: "Accounting can be organised and conducted based on accounting services contracts concluded between natural persons or legal entities, duly authorised, members of the Accounting Expertise and Authorised Accountants Corps in Romania. Furthermore, under item 10 (3¹) the text reads as follows: "In case of the persons under item 5 paragraph (1¹), accounting can be organised and conducted in compliance with the provisions of paragraphs (2) and (3) or based on contracts as per Civil Code with physical persons with high economic education, who will also be responsible the accounting services they conduct." Considering the above, we can conclude that in Romania any company is allowed to outsource their financial – accounting function or certain accounting services to a third party.

Outsourcing the accounting function main mean to delegate the following activities: bookkeeping, financial reports to the fiscal authorities, managing payments (personnel, suppliers, etc); Cash management / treasury; Financial Management.

From among the major aspects that need to be taken into account when selecting an accounting services supplier, we mention the following: experience in bookkeeping of similar companies; the software such companies uses; flexibility; the contract with the supplier should provide clear terms with respect liability for possible errors or delays; if the supplier makes full payments of wages and contributions to the Budget, it should be registered with the National Authority for Surveillance of Personal Data Operators as an operator of such data.

Irrespective of their field of operations, all entrepreneurs ask themselves, which is the best way to control the activity in their company. A variant adopted more and more frequently is internal auditing. Partial or total outsourcing the internal auditing can be conducted with a view to obtaining a qualified opinion on the compliance with internal auditing international standards, as objectively and independently as possible.

One of the laws regulating auditing in Romania is Law No 672/2002, concerning internal public auditing, amended by OG No 37/2004 [13]. Pursuant to article 2 paragraph. (a) of this law, "internal public auditing is the functionally independent and objective activity that ensures and advises management as to a good administration of the public revenues and expenditures, improving the activities of the public entity. Moreover, it helps the public entity to meet its objectives by way of as systematic and methodical approach, which evaluates and improves the efficiency and effectiveness of the management system based on risk management, control and managerial processes."

The audit standard "SAS 70" [10] presents the specific problems of outsourcing company auditing. It also represents a warranty for the fact that audit was conducted as to the objectives and activities of internal checking of the companies to which services are outsourced.

The outsourcing of the debts recovery service, the creditor will not be forced to invest in a collecting specialised department. Resorting to a specialised company, it will benefit from the collection services against a set cost most often representing a commission of the amount collected.

We can therefore conclude that outsourcing financial - accounting professional services is an increasingly adopted solution especially due to reasons of reducing financial costs.

4. Outsourcing IT & C services

Outsourcing IT & C services consists mainly in three types of activities [15]:

- IT Management services such as operationalisation of infrastructure services (operating systems, system administration and security, surveillance

of cost efficiency, configuration management, technology management, etc), software management and help-desk-type services management;

- Applied Management Services, AMS: they concern outsourcing development and implementation support services for hardware, applications, CRM (Custom Relationship Management), and business infrastructure (some for the development of applications and middleware, software for data management, data storing, for systems and networks);

- Business Process Outsourcing. These services imply full outsourcing of a process of the company involved.

The main forms of IT outsourcing are [9]:

- ASP (Application Service Providers) – suppliers of IT services: represent renting applied software services. Besides ASP, other variants of this IT outsourcing have emerged, such as: ISV (Independent Software Vendors) – individual software developers, HSP (Hosting Service Providers) – suppliers of hosting services, FSP - Full-Service Providers – full-service suppliers, BSP – Business Service Providers – business services suppliers, IAHP (Internet Application Hosting Providers) – suppliers that host Internet applications;
- HelpDesk: technical support services offered to users in solving the problems encountered in the exploitation of software applications or desk equipment.
- CRM (Custom Relationship Management) aims at finding technological solutions that allow to consolidate communication between the company and its clients with a view to improving the company relationships with its clientele by offering various automated components of such relationships;
- SCM (Supply Chain Management) – refers to a series of instruments and methods that aim at improving and automating supply by cutting costs and delivery terms;
- WEB Hosting: the IT departments of organisations cannot deal by themselves with the operations necessary to an

efficient administration of the website content;

- Network security: under the circumstances of the development of new applications such as Internet, extranet, and electronic commerce, a special attention needs to be paid to network security;
- Software technical support: whenever organisations face problems with using software, they can resort to a professional support service from the software developer companies or from those specialised in various IT & C segments;
- WEB Services: a web service means the logical module of an application that can be posted, located, or accessed on the web, irrespective of the operation system or type of hardware used, a simpler and cheaper one than it has been possible so far. By using this kind of IT outsourcing, the older applications in a company can interact by means of standard protocols.

Everything related to collecting, processing and storing accounting data implies, on one hand, the existence of an IT & C infrastructure, of some platforms that allow the development of the appropriate software. On the other hand, it also implies their security. This is why this field becomes the outstanding candidate for outsourcing IT & C services. The development of the Internet and cloud-computing enabled the accounting practices to externalize their IT & C and software services.

e-Outsourcing defines renting some IT & C products and services – from the source or a wide range of sources on the Internet – which can be adapted to the needs of the company. For instance, a company can resort to a web-hosting provider services to build and maintain its website, to a software supplier for its front office (CRM) and back office (ERP) applications, or to a security company to install and administer a firewall or a virtual private network (VPN).

Cloud computing [11] in a modern concept of computing and IT, representing an body of computing services, applications, access to data and data storing, without the necessity that the user knows the location and physical configuration of the systems providing such services. Cloud computing solutions allow cost reduction as the

applications, technologies, and data are available on a virtual server, removing thus investments in the purchase of hardware and its maintenance. Moreover, payment is made based on subscription depending on the level of usage of the purchased software. As a rule, costs decrease by 30-40% as compared to the usual variant, where software is purchased for a long term. Complementary, cloud computing provides three categories of services: IaaS (Infrastructure as a Service), the primary level of cloud-type services, where the user accesses a series of virtualised hardware resources; PaaS (Platform as a Service), the intermediate level, where the user accesses a series of hardware and software resources automatically administered and on which the business's own solutions are developed; and SaaS (Software as a Service), the higher level, where the user only consumes the resources (applications), having no relationships with the administration thereof.

To conclude, companies increasingly focus on IT & C outsourcing solutions in order to cope with some tasks they could not carry out on their own or they could carry out at much higher costs. The difference between merely "contracting" some resources and outsourcing relies in the fact that the latter implies a more efficient restructuring of some fields related to the company's operations, by using external partnerships with suppliers who have the required competences.

5. Advantages, disadvantages and risks of outsourcing

Some of the aspects that make adopting outsourcing an attractive business strategy are highlighted below [08], [05]:

- Reducing associated costs by certain accounting or IT & C services (supplier versus employee). The savings to the company budget comes from the lower need for employees (i.e. savings in terms of money, time, and infrastructure). The company does no longer carry the burden of responsibilities and problems related to their own human resources (e.g. fewer wages, less infrastructure, less administrative effort). These responsibilities are transferred to the supplier and consequently budget funds

are freed and the contracting company has the opportunity to expand without having to use physical resources and related costs therewith;

- Professional accounting and IT & C solutions via access to expert services and skills. Most often, the personnel of "outsourcing" companies is made up of accountant professionally dedicated to a specialised field where the contracting company has no expertise. Moreover, the outsourcing companies have advanced technologies or software kits that they own exclusively and that can bring along immediate improvements to outdated accounting software;
- The lever effect (quality / price ratio) is very good. Suppliers have the position to carry out the so-called "stair economy" (as they have large volumes of customers, they reduce costs per customer unit by distributing fixed costs to a large quantity). This advantage derives from the fact that such companies have built their business model around a base service that can be applied to interested companies at reduced costs and more efficiently than such companies would try to introduce these services on their own;
- Companies focusing on functions that represent the core of a business competences (e.g., functions specific to the operations) Another advantage of third party contracts that can lead to an increased efficiency and productivity, is freeing workforce from certain accounting routines (for instance, primary bookkeeping, calculating and transferring wage-related tax) or IT & C services, repetitive procedures that do not represent the best use of qualified personnel and the companies' focusing on more valuable and profitable functions, which will have a sizeable contribution to in their success (e.g., production, marketing, budget planning);
- Temporary assistance. Whenever accounting activities are intensive, outsourcing companies may respond with appropriate solutions to the temporary demand of personnel. This strategy avoids training costs for new employees and the risk of overloading the

company's own employees thus increasing the risk for them to leave the company at some point in the future;

- Security, by accessing a higher risk management. It has been established that whenever an external supplier is addressed companies become much more flexible and thus able to cope with the transformations imposed by the market economy. There are two reasons that lower the risk that an investment is unlikely to be profitable: the outsourcer's expertise and the fact that one can easily give up the project.

Herein below, we outline some of the factors determining a company to be more reluctant to accepting to outsource its financial – accounting and IT & C services [08], [05]:

- Data confidentiality. The supplier should offer warranty with respect to the security of the client's data and prevention of unauthorised data transfer. The supplier should demonstrate that its own internal control mechanisms are functional and that clients' data are kept safe from potential intruders' "curiosity";
- Conflict of interests (Sarbanes-Oxley Law). In the United States, the "Chinese wall" refers to the internal procedure adopted by the external auditing companies whereby information from a client by a member is prevented from being known by another member who works on a project for a competitive company;
- Dependence on the external supplier (fear of losing control over the processes, insecurity of service quality, hidden costs, doubtful performance, inadequate planning). Dilution of the control over the outsourced functions and sometimes the delayed or poor-quality answers.
- Loss of important competence representing the know-how or expertise to do something. This risk manifests when an outsourced activity which is really strategic is deemed peripheral;
- The risk of losing the competitive advantages. The access of a third party to data on clients, investing policies, marketing policies, etc., can lead to loss of competitive advantages;

The transfer most often implies making redundant trained personnel for whom the company has invested important resources.

6. Conclusions

Internet network expansion, the globalisation of the economic environment, and increasingly high performance of technical equipment have led to a progressive growth of outsourcing services related to the companies' operations. In order to be able to survive on the market, companies should adapt to the on-going development of IT technology and to regard the information system as a support to the business, which could ensure uninterrupted operations.

Moreover, outsourcing services related to the company operations can be an extremely safe way of reducing costs and improving efficiency, owing mainly to the access to specialised workforce and to resources that could not be used by means of the company's own management. In addition, the decision to outsource should be very well planned, as the supplier who would conduct these outsourced services should thoroughly understand the process and the procedures to be applied to the client's company. The legal and personnel related issues are of major importance as well. The managerial team should continue to be in control and outsourcing should not be used as an excuse for the company's failure to meet the objectives set.

Strategies relying on competence and outsourcing may allow for the increase of the revenue, lowering risk, a greater flexibility and a wider capacity to respond to the requirements of the environment. Hence, applying the outsourcing strategy means cutting costs and increasing performance by focusing on the activity conducted and enhancing the company's flexibility.

7. Acknowledgment

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Consideration Concerning Country Rating in Romania

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Abstract

Country risk approach, although not new, is in the foreground investor's concerns whenever a crisis affecting the solvency of a country or a group of countries endangers the claims directly owned on that state, national company or other entity.

The rating agencies are the main, but the most objective source of information for investors and governments. The major rating agencies are Standard & Poor's, Fitch-IBCA and Moody's.

In this paper we propose to do an analysis of Romania's country rating presenting the current situation in the country, compared with the international one and of the proposed solutions to improve the rating in Romania.

Key words: country risk, crisis, solvency, rating

J.E.L. classification: M10

1. Introduction

Credit rating agencies have first appeared in the U.S. The first company that was launched in the ratings business was The Mercantile Agency, appeared in 1841 in New York. The first office outside North America was opened in 1857, in London. In 1859, The Mercantile Agency was transferred to the ownership of Robert Graham Dun, and also changing the name of the RG Dun & Company.

Since 1849 began to emerge and competing companies; in that year was launched The John M. Bradstreet Company in Cincinnati, the first textbook published in 1857 called The Bradstreet Rating Book.

In 1933, under the pressure of economic circumstances, the two companies merged, the new agency called the Dun & Bradstreet.

Also in 1900, John Moody founded the company Moody's Investors Service, Moody's has also produced the Manual of Industrial and Miscellaneous Securities.

In 1909 Moody issued for the first time securities ratings in Moody's Analysis Of The Railroad Investments. In this paper, the author first used the classification of Aaa to C to assess about 1.500 individual securities issued by over 200 companies.

Rating is a word whose literal translation means "evaluation", referring to both a process (risk analysis) and its final result (note).

Features that characterize credit ratings:

- supervision of foreign financial interests of companies and national states, providing information relevant and value of international understanding;
- alternative to traditional services offered by financial evaluation and analysis of commercial banks and specialized financial institutions (especially banks and bank trade business).

Country risk approach [1], although not new, is in the foreground investor's concerns whenever a crisis affecting the solvency of a country or a group of countries endangers the claims directly owned on that state, national company or other entity.

In recent years, concerns have focused mostly South America (especially Mexico), and after the 1997 Southeast Asian countries and Central and Eastern Europe, and in 2001 Argentina knew the worst crisis in its history.

Country rating has taken an unprecedented scale: in 1981, Standard & Poor's does not note than fourteen countries, and in 1999 marking referred to about eighty. Thomson

Financial Bankwatch noted in 1999 of 94 sovereign issuers.

Most of the notes in the 80s reflected high credit quality (AAA and AA) today, the range is very wide: from AAA to CCC.

In 1999, speculative grades (BB category) constitute about one third of the sovereign notes given, while in 1990 only speculative note was assigned to Venezuela.

Credit rating agencies have returned to the forefront of the global economy amid recent announcements of decisions and their role being challenged again by many economists.

The topical issue is the rating of the country of Greece, which was reduced in July this year in the CCC by Fitch, which involves a substantial risk of default entry, while all agencies have threatened U.S. to decrease AAA rating (highest possible) because of bickering between Congress and the Presidency on raising debt ceiling.

2. Country rating in Romania

Country risk assessment and analysis are useful in substantiating of the decisions which transnational corporations and other generators of foreign investment are taking in investment.

Each agency has its own country risk quantification. The evaluation shall take into account economic, political and social factors. Country risk analysis requires an assessment of the premises underlying the changes in internal or external environment. Without full knowledge of economic and political situation from the host country it can not be predicted what will be the reacting of this country to sudden changes in the economy have occurred worldwide.

In Romania, access to international financial markets has opened new opportunities for financing: either by issuing Eurobonds, either by syndicated loans.

National Bank of Romania intervened in the international capital markets in order to:

- strength the foreign reserves of Romania;
- to meet the conditions in agreements with the IMF on a certain level of international reserves of the country.

National Bank of Romania asked the international rating agencies assess credit risk in order to obtain loans from international markets.

In 1996, the National Bank for the first rating the assessment of the cost of foreign loans that were to be employed. Sovereign rated rating by Fitch in 1996 was BB-.

*Table no. 1: Ratings for Romania
established by Fitch*

Data	Rating/ valute			Rating/currency	
	Long term	Short term	Perspective	Long term	Perspective
2 Feb 2010	BB+	B	Stable	BBB-	Stable
9 Nov 2008	BB+	B	Negative	BBB-	Negative
31 Jan 2008	BBB	F3	Negative	BBB+	Negative
31 Aug 2006	BBB	F3	Stable	BBB+	Stable
17 Nov 2004	BBB-	F3	Stable	BBB	Stable
23 Aug 2004	BBB	B	Positive	BBB+	Positive
18 Dec 2003	BBB	B	Stable	BBB+	Stable
24 Sep 2003	BBB-	B	Positive	BBB	Positive
30 Oct 2002	BBB-	B	Stable	BBB	Stable
14 Jun 2002	B+	B	Stable	BBB-	Stable
14 Nov 2001	B	B	Positive	B+	Positive
16 Nov 2000	B	B	Stable	B	Stable
21 Sep 2000	B-	B	Stable	B-	Stable
24 Mar 1999	B-	B	-	B-	-
23 Dec 1998	B	B	-	BBB-	-
23 Sep 1998	BBB-	B	Negative	BBB-	Negative
11 Sep 1997	BBB-	B	-	BBB-	-
6 Mar 1996	BBB-	B	-	-	-

Source: www.fitchratings.com

3. Romania's situation

Romania, for that matter, all countries in the world can not overcome the financial crisis without business development. [2]

In 2011 growth is expected to shy in Romania, of 1,5% and better growth from 2012 to 2013.

Only in 2013-2014 will return to 2008 levels.

Romania is not in a desperate situation, but is dependent on external aid.

According to estimates, inflation will be 5,2% in 2011, over NBR target, as a consequence of increasing the VAT rate.

Unemployment will increase, due to continued reform of the state apparatus and budget staff redundancies.

Have increased both imports and exports and trade balance increased in 2010 and 2011 compared to 2009.

External debt has doubled in the last three years, from 44% to 80,8%.

Currency reserves remain at a sustainable level.

Current account deficit exceeds 5 billion euros, up 25% from 2009.

He reached the bottom of the crisis, but there is not a very powerful engine for growth resumption.

Table no. 2 Situation of the country's recent international rating

Last modification of country rating		
Country	Previous evaluation 2010	New evaluation 2011
Bahrein	A3	A4
Cipru	A2	A3
Egipt	B	B
Japonia	A1	A1
Libia	C	D
Portugalia	A3	A4
Marea Britanie	A3	A3
Siria	C	C
Tunisia	A4	A4
Vietnam	B	C

4. Solutions to improve rating

Standard & Poor's recommends to Romania to maintain reforms and the budget deficit under control in order to increase ratings.

Chance to improve credit rating is good news for Romania in an international context [3] in which debts and deficits have become a sensitive issue, since the sovereign debt crisis broke out in Europe.

If the Government maintains the pace of structural reforms which he initiated and if it will strengthen a history of prudent fiscal policy and maintain financial sector stability, it could increase the rating.

Romania's rating is currently BB + with stable outlook. Last change was to improve the rating outlook from "negative" to "stable" in March 2010.

Following the financial crisis, has fallen sharply in October 27, 2008, Romania's rating from BBB to BB + with negative outlook, thus turning the territory of Romania in the so-called speculative investments.

Everything below BBB- are speculative investments.

Any change in rating would mean two steps together, because usually before the improving of the rating it changes the perspective, in this case from stable to positive.

Standard & Poor's expects growth of 1,5% this year.

Recently, S & P made a historic step in the history of the agency for 70 years, and decided to review the rating in down U.S. perspective, to negative, the decision stood being too high deficit and debt and the inability of politicians to solve this problem. This is the first alteration of the agency's establishment in 1941, the United States during this period with maximum grade "AAA" with stable outlook.

U.S. public debt almost as large as GDP and a deficit of 10% and the change of the rating outlook means that the U.S. could be reduced over the next two years.

Some countries in Central and Eastern Europe are, in debt and deficits, in better shape than some eurozone members, so that ratings are not aligned with the economic situation and progress. Erste Group analysts predicted that Romania's ratings might be higher in 2012 if reforms continue and fiscal targets are met.

In the spring of 2010 S & P decision to improve long-term perspective of Romania's ratings from "negative" from "stable", saying the decision made by budgetary reforms and

the prospect of continuing the agreement with IMF.

Stable outlook reflects S & P's view that the Government will continue to consolidate public finances in line with specific targets, new preventive agreement with the IMF fiscal slippage minimizing risk before 2012.

In addition, S & P believes that structural reforms undertaken so far should help to rebalance the economy to allow a relatively solid growth medium. Analysts warn, however, that the credit rating agency ratings could come under pressure if the government will continue structural reforms and fiscal consolidation.

The authorities have made steady progress in reducing the budget deficit, which rose to 8,5% of GDP in 2009. It is estimated that the deficit fell to 6,6% of GDP in 2010 due to increased VAT and drastic reductions in public sector and social spending. However, the political system remains fragile. There may be policy reversals or slippage due to political tensions or decrease the government's commitment to reform before elections in 2012.

Moody's believes that Romania needs structural reforms and more efficient state-owned companies.

Romania's main problems are the inability to access European funds for investment projects, inefficient energy sector, transport and labor market and pressures on public finances, due mainly to a narrow tax base, the rising costs of health and poor performance of state companies.

Although some exceptional circumstances (such as strong growth of the internal market of credit because of international conditions easy) that led to a boom of growth in the last decade will not come back, Moody's expects that trade integration, investment and institutional Romania Europe to support growth and to allow income to continue their convergence with the richer countries. However, to fully take advantage of the opportunity of commercial and industrial ties with the EU, the government will have to implement structural reforms and improve the performance of state companies, while maintaining fiscal prudence adopted following the global crisis.

Although Romania's public debt is low compared with levels in other countries [4] in the region and promote agreements with the

IMF and the EU economic policy in a positive direction for growth and credit rating, internal political events on stage may limit the speed and depth reforms.

The government has faced in the first half of 2011 with the opposition of Parliament to reform the labor market. The burden of austerity and already divided political system could slow the introduction of new tax changes such as widening of tax base, reducing health costs and increase efficiency of state companies.

Romania's rating would be improved as a result of recent budgetary measures signals that lead to a significant reduction in fiscal deficit, and fiscal prudence can be maintained over the medium term. Rationalization measures in health costs, improve business performance and strengthen of state capacity to absorb European funds would also be good for ratings.

Ratings may be changed in a negative way if the program would suffer a reversal of fiscal consolidation, structural reforms combined with stagnation.

Moody's assigns credit rating Romania "Baa3" with stable outlook.

5. Conclusions

Country risk analysis requires an assessment of the premises underlying the changes in internal or external environment. Without full knowledge of economic and political situation from the host country it can not be predicted which will be the reacting of the economy of this country to sudden changes which have occurred worldwide.

Country risk assessment and analysis are useful in substantiating the decisions the transnational corporations and other generators of foreign investment are taking in investment sphere.

Country risk analysis is important and necessary on the grounds that for a rating agency to rate a public or private institution should be the country in which they operate are, in turn, note. Therefore, it is never attributed to national entities a note higher than the country of origin.

Each agency has its own country risk quantification. The evaluation shall take into account economic, political and social.

Country rating B indicates a weak financial situation, with potential for improvement, but with a risk of default (failure to pay debts) above average.

Romania's rating could be raised in fiscal 2012 if reforms continue, Erste analysts expected, pointing out that for some countries in Central and Eastern Europe, marks are not aligned with the economic situation and developments in the financial situation.

The result of country risk assessment is the main indicator that decides whether the country is favorable for implementing a business.

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Turkey and the Lessons of 2001 and 2009 Crisis

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Abstract

The current economic crisis proved to be a real test of maturity for emerging countries. While most developed countries facing debt crisis, review their position on economic liberalism, emerging countries are becoming more concerned to accelerate the development process ment to reduce the gap separating them from the developed world.

Turkey successfully fall into this category of countries.

This paper aims at highlighting the main elements that contributed to Turkey's current affirmation and guidelines to the future of this country, considered today an economic model to follow.

Key words: global crisis, emerging countries, Turkey's EU accession

J.E.L classification: O 52

1. Introduction

Although the current economic crisis is global in nature, a number of countries have coped with the shock much better than others, contributing substantially to the dynamics of global economy. It is emerging countries that have succeeded through effective economic policies to achieve high growth rates. So the key element that contributed to distancing and highlighting emerging group of countries among developing countries is the sustained economic growth recorded during the global financial and economic crisis.

Some analysts include in the group of eight emerging countries (India, China, Russian Federation, Brazil, South Africa, Indonesia, Mexico and Turkey), others refer to nine (including South Korea in that group),

others only five (BRICS group). Differences are in the indicators they consider.

The fact is that these countries have experienced during the crisis prudence to foreign aid, relying on their own policies and the exploitation of potential domestic crisis. Confirmation of their efforts is reflected in analysis and statistics compiled by international and regional organizations (UN, WTO, IMF, OECD, European Commission) in which you can see the differences in terms of economic growth rates recorded by the developed countries and developing and emerging ones. For example, the report prepared by the IMF World Economic Outlook published in September 2011 and provided estimates an overall increase of 4.0% in 2011 (down by 0.3 percentage points from its projections in July 2011, because of the risks surrounding Today's world economy), to which developed countries will contribute only with 1.6% and developing countries and emerging group by 6.4%. Also, forecasts for 2012 remain the same trend (4.0% global growth, for developed countries only 1.9%, while developing and emerging countries 6.1%).

2. Turkey's economic success

One group of countries included in the European emerging countries is Turkey. Because of important geostrategic position, Turkey is a historical crossroads, the homeland and battlefield of many civilizations and a large shopping mall. Eurasian country with a position that is of particular importance, Turkey has some advantages and very high surface 780,580 square kilometers, and the human potential available, about 72 million inhabitants. Turkey is a democratic republic, secular, constitutional, with old cultural and historical

heritage. Considered a regional economic power and a bridge between Europe, Asia and the Middle East, she is a member of several organizations such as the Council of Europe, NATO, OECD, OSCE, G20. Preparing for decades for entry into the European Union, the country has registered a remarkable growth since 1990 (4.4% being the average rate of growth in the period 1992-2006), with a number of gaps (in 1991, 1999, 2001 and most recently in 2009), generated mainly by the banking system weakness, severe deficit of trade balance, the recent turmoil on the world market, or sharp decline in external demand. Each time however, economic growth was resumed.

Generally, Turkey has forged a competitive economy based on soil and subsoil resources, on foreign investment, a policy to stimulate domestic private investment. Using the country's geopolitical and geostrategic position in contact with the Middle East and Europe ex-Soviet countries, Turkey has established links with many countries.

Over time the economy experienced significant structural changes: the share of industry increased from 25.2% to 29% of GDP, services 45% to 58.5% of GDP and the share of agriculture declined from 29, 1% of GDP to 11.7 [1].

In 2001, Turkey faced a deep crisis that has brought many banks go bankrupt and unemployment is still high. This has forced their government to take drastic measures and reform the country's banking system. There were reduced public spendings, banks were put under control and the entire banking system. Also the, loan worth U.S. \$ 10.4 billion made available by the IMF country has allowed Turkey to get out of severe economic crisis caused by banking difficulties.

Experienced with the 2001 crisis, Turkish economy has proven far more resilient to external shocks, so that after a severe contraction in GDP in 2009, with 4.8% economy recovered in 2010 the European Commission indicating an advance of 8.9%. The fact that in the last decade, the government strengthened their banking system helped Turkey to face the new crisis better than other European countries. In other words, Turkey has turned to a more severe state control over the economy, which is now

the largest creditor country. For 2011 and 2012, the European Commission forecast economic growth of 6.1% and 5.5% (table no. 1). Optimistic forecast of the European Commission based on the fact that several EU countries have revived the economy, members of this group is the main commercial partner of the country. Yet dangers remain on the economy of this country: the persistence of high public debt, a high level of inflation and unemployment, with negative effects on attracting foreign investment. Also, strong earthquake in October 2011 will have negative economic consequences on economic activity in this country.

According to statistical data of UNCTAD [5], foreign direct investment flows to Turkey have experienced a downward trend. Thus, in 2007 their value was 22.047 billion dollars, in 2008 they amounted to \$ 19.504 billion, while in 2009 only to be \$ 8,411,000,000. In 2010, these flows picked up slightly, their value amounting to the 9071 billion dollars, much below levels in previous years of the crisis. To attract foreign investors, since 2009 the government abolished the minimum capital requirements for starting a business. Also, the share of foreign capital participation is permitted up to 100%, except in areas where the share of foreign equity participation limited to: 20% for television, 49% for aviation, telecommunications and shipping.

The main areas where foreign companies have invested in Turkey: the service sector (banking and insurance) - 54.8%, manufacturing (energy, automotive, pharmaceutical industry) - 40.9%, agriculture - 2.4%, mining and quarrying - 1.8%. An average gross salary of about \$ 750, but the possibility of repatriation of profits have been one of the most attractive elements for many transnational companies located in this country: Cisco, Microsoft, Vodafone, Motorola, Exxon Mobile, General Electric, Ford Motor Co., Daimler Chrysler, Novartis, Pfizer and others. a.

In 2011, domestic consumption and investment in the economy is mainly responsible for economic growth this year, according to European Commission experts. Granting tax incentives for consumers to increase their purchasing power is the main measure taken by the crisis.

Investment in technology is a priority of the government of this country. In addition, the percentage of 1% of GDP R & D will increase from 2% in 2012. If in 2002 the most significant budget allocations returned by tradition, to the army, now it has reached the fourth and most important money goes to education.

Growth of this country is largely due to the fact that many young people live in Turkey. Approximately 70 million inhabitants of the country are under 30 years, which gives confidence in the continued growth of the country.

Negotiations for Turkey's European Union began as early as 2005 [5], but the process slowed down due to opposition from some Member States, lack of reforms and the problems it has with Cyprus.

Turkey has long been associated with European integration. European Economic Community signed in 1963 an Association Agreement (Ankara Agreement) which provided for the gradual establishment of a customs union. This agreement has added an additional protocol, signed in 1970. Since Turkey has not implemented this protocol in relations with the Republic of Cyprus, which it does not recognize, the EU Council decided in 2006 not to open eight chapters of negotiations relevant and not temporarily close any other chapter, as long as Turkey will not meet their commitment. The eight chapters are: free movement of goods, right of establishment and freedom to provide services, financial services, agriculture and rural development, fisheries, transport policy, customs union and external relations. Accession negotiations were reopened in 2007 for another four chapters (Enterprise and Industry, financial control and statistics; trans-European networks, consumer and health protection), and in 2008 the EU Council adopted a new Accession Partnership and opened negotiations for other two chapters (intellectual property and company law). On 30 June 2010 there opened negotiations for a new chapter - Food safety, veterinary and phytosanitary policy.

So far, Turkey has implemented significant reforms on human rights, abolished death punishment, gave the Kurdish minority cultural rights, has advanced in resolving any disputes with Cyprus. However, due to religious and

cultural differences in relations with Europe, Turkey faces a strong opposition from the governments of France, Germany, Austria, Greece, Cyprus and Slovenia.

A step forward in the country's accession to the European Union is the successful referendum in autumn 2010, in which Turkish voters were in favor of revising the Constitution, limiting the prerogatives of the judiciary and the army. According to officials of that country, the new Constitution will be very close to Turkey by European countries in many respects, from the collection of fees and taxes to justice, rights of employees, up to the military role in society.

EU is the most important trade partner of Turkey. In 2010 it exported to EU products worth 42.0 billion euro from the EU and imported products worth 61.1 billion euro [7]. However, 88% of foreign direct investment made in Turkey are from EU countries. And for this group, Turkey is an important trading partner (5th export, accounting for 4.5% of EU exports to third place in 2010 and 7 to import, accounting for 2.8% of EU imports to third parties). However, the 2010 European Parliament report on trade and economic relations with Turkey, stated that the customs union created between the two parties is not completely uniform, Turkey not observing customs union provisions.

Turkey has demonstrated skill, so far, it has greater role in the international arena. Political, economic and cultural reference in the current international system, the country has a well defined identity, which can not be ignored.

3. Conclusions

The collapse of the financial system in the United States in 2008 led to a recession that has hit both the developed and developing economies, significantly reducing overall economic growth. However, emerging markets were more skillful in fighting the economic crisis, some of them continuing to grow almost at the same pace. The current economic crisis proved to be a true test of maturity for these countries. While most developed countries facing debt crisis, review their position on economic liberalism, emerging countries are becoming more concerned to accelerate the development

process intended to reduce the gap separating them from the developed world.

Turkey successfully fall into this category of countries, and whether it will continue to apply the same economic policies as effective in recent years, it will be able to achieve its objectives and will be an economic model to be followed by other nations.

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Good Practices for Quality Assurance in Romanian Higher Education

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Abstract

Quality in higher education is a multi-dimensional, multilevel and dynamic concept that relates to the contextual settings of an educational model, to the institutional mission and objectives, as well as to specific standards within a given system, institution, program or discipline.

Quality education is given by an innovative transformation, always seeking to diversify school functions in order to develop it as a resource center for students, parents, organizations and for other members of the community. The pace and dynamism of development can arise from education which has the means and the strength to train and educate mobile and active generations, well intellectually endowed, able to overcome the inertia of social and economic environment, strongly influenced by the contemporary world trends.

Key words: quality assurance, higher education, accreditation, improvement

J.E.L classification: I 21, I 23, I 25, A 23

1. Introduction

The existence of a quality management system in Romanian higher education is based on a model (standard) which plays the role of a reference system or a system of criteria for external evaluation (quality assurance function) and a guide for the internal organization (quality management function).

Like many former socialist countries, post-communist Romania has experienced a period of strong expansion of university education offers. The number of higher

education organizations has been growing. The demand for higher education programs was very high in the first decade after the revolution, causing entrepreneurs to provide diversified services to an expanding market (alternative forms of education have emerged, such as distance learning).

2. Paper content

In the current period, Romanian higher education institutions relate to several types of existing models in the academic environment. These patterns can be grouped into "loose" models, unstructured, and models with and specific and structured requirements:

- "Loose" models, based on college visits (groups of teachers from other Universities) followed by recommendations for improvement. There are many ways to disseminate "good practices" rather than quality assurance standards. These visits may or may not be preceded by a report of self evaluation. It aims to improve the quality of services offered by the university on the basis of benchmarking techniques.

- Structured models that imply a higher degree of rigor in the approach of quality issue and therefore, despite being required by the authorities and widely applied in the socio-economic environment are not fully accepted by universities.

The most common and widespread of such models are:

- models based on internal evaluation;
- models developed for specific areas of education (e.g. EQUIS* system and
- EQUAL model for management schools);

- models for excellence awards (e.g. EFQM European excellence model);
- models based on the application of TQM principles;
- standard models with minimum mandatory requirements (e.g. ARACIS standards for the authorization and accreditation of universities, domains and study programs, models based on the criteria of ISO 9000 series standards).

Excepting compulsory authorization and accreditation criteria specified by the legislation in the education field and ARACIS standards and methodology, the decision for a particular reference model is a decision that belongs to the institution. It is based on the objectives which have been established by the institution, from the national regulations and the experience available in this area. A gradual approach, on the degrees of maturity, is a decent option in this situation.

Universal models applied in education for quality assurance are based on the assessment method (shown in PHARE Multicountry project in the field of quality assurance in higher education). This is a very simple principle, consisting on systematic evaluation cycles, followed by corrective actions.

In higher education the situation is slightly different from the pre-university education due to the level of studies and the qualification of teachers which are or tend to the maximum. Therefore it is considered that one can not objectively identify a court more qualified to perform the evaluation than the University itself. For this reason, the assessment is "*peer to peer*" type (the term is used also for computer networks without servers, to express the horizontal relationship of the parties involved). Therefore, the evaluation model is based on an internal evaluation process (self-evaluation) conducted by a team from the evaluated institution. This process includes massive consultations of the academic community (including students), through a system of surveys and statistical processing and ends with a self-assessment report.

Its purpose is to analyze all aspects affecting the quality of the institution. The issues which must be mandatory analyzed are contained in a "checklist" of chapters promoted by national or international organizations, various excellence awards

promoted by international associations, etc. A documented analysis ("based on facts") is made for each aspect, highlighting the strengths and weaknesses (SWOT analysis) and concrete solutions for improvement are proposed where possible (but mandatory for negative issues)

The self-evaluation report is checked by an independent external panel (Peer Review Group - PRG). Peer review includes:

- the study of self-evaluation report;
- on-the-spot visit and verification of the report accuracy;
- the preparation of final evaluation report.

The evaluation reports are official documents and represent highly efficient tools for the improvement process in the institution, but at the same time ministry official tools to know the reality on the territory, taking any measures to support or even to constraint.

Quality assurance is a concept introduced in Romanian higher education by GEO no. 75/2005 and then enacted by Law no. 87/2006.

The existing legislative framework refers to two major objectives of quality assurance: control and quality improvement. On the other hand, the law refers both to the freedom of the educational institution to select and apply the relevant measures and standards and to the need for each organization to comply with a predefined set of minimum relevant standards for a particular set of criteria.

In this sense we have two opposite philosophies of quality assurance: one in which quality is related to their institutional objectives (fitness for purpose) and another in which quality is related to a predetermined and universal set of standards (standardization). On the other hand, the first philosophy is oriented rather to external assessment/audit, based on the development of recommendations for quality improvement, while the second one is oriented rather towards external control and accreditation. The second philosophy is more prescriptive, thus more coercive. Although in the law preamble both orientations are mentioned, Romanian system of quality assurance fits with the second philosophy. Moreover, in case of comprehensive universities the standards are universal,

practically operating with a single reference class for all universities. The differentiation is only vertically, by the extent to which universities achieve benchmarks on various criteria set out in national legislation.

The problem identified since the early '93 was the safeguarding of consumer interests. The State must assume the role of consumer protection, so the National Council for Academic Evaluation and Accreditation was founded. Its role was the accreditation of universities and to impose a minimum quality control. Quality Assurance Law no. 87 of 2006 introduced a series of legislative changes through which the concept of quality has become endogenous, undertaken by higher education organizations and not imposed from outside. The law speaks of quality culture, of responsibility of educational institutions in ensuring quality, etc. The introduction of internal quality assurance, reflected in the creation of the commissions for assessment and quality assurance was a fundamental initiative. Also, another important step towards quality assurance was the creation of a register of experts for external evaluation based on peer-review.

Quantitative data collected this year seem to suggest that these innovations of Law no. 87/2006 have been internalized and assumed by teachers. Thus, their majority opinion (52%) is the university or college should be the main decision maker in quality assurance (the assumption of quality responsibility at the organizational level), while a rate of 48% indicates that the ministry and central agencies are responsible for this process.

At the same time, the teachers think the most efficient way to assess the quality of the study programs is "based on national performance indicators" (41%), but also on "the opinions of those involved in university life"(26%). These figures suggest the internalization of the unitary system of indicators and standards, and also the peer-review principle. On the other hand, the majority of the responses on what are the most important criteria for quality assessment are grouped by input indicators: human resources, content of courses, material resources.

We can say that in the representations of the teachers, new concepts of quality assurance begin to take shape and the changing process is evolving. However, the potential for social change of the current legal framework (law and methodology for evaluation) seems to be exhausted. Although the institutionalization of this model certainly has beneficial effects outlined above, in the current stage of higher education development it begins to produce unintended effects, some of them dysfunctional in relation to the objectives of quality assurance. Therefore one of the major problems nowadays is to set up a design of quality assurance institutions to prevent the occurrence of such effects.

In addition to quality assurance model imposed by the relevant legislation in Romania, by the Ministry of Education and by the Romanian Agency for Quality Assurance in Higher Education (ARACIS), Romanian universities can implement successful models for educational services improvement, either using its own forces or by European programs.

One of these models is the EQUIS system (European Quality Improvement System). EQUIS is the European Foundation for Management Development's (EFMD) international system of quality assessment, improvement, and accreditation of higher education institutions in management and business administration. EQUIS was created in 1997 by a mandate of the EFMD's member business schools with the active support of a number of the top schools in Europe.

Some of the major objectives of EQUIS are:

- the system ensures the stakeholders that higher education institution provides a clearly defined set of quality standards;
- it supports higher education institutions to improve their activity through a process of self-assessment to highlight both strengths and weaknesses of the institution;
- building a benchmarking system to enable the comparison of different institutions.

EQUIS is a system of evaluation / accreditation for the entire institution, pursuing continuous improvement as the main dimension. EQUIS has never attempted to adopt the role of national accreditation

systems that are already able to detect quality at the domestic level. From its inception, EQUIS wanted to target top-quality international business schools. This target choice justifies the main features of the EQUIS model. One of these features is the emphasis of the EQUIS Quality Framework on internationalization as a key dimension. EQUIS-accredited schools must demonstrate that they are actively trying to make an impact beyond their domestic frontiers.

EQUIS also highly values the well-balanced development of students and participants as future managers and entrepreneurs. Therefore, the ways in which managerial skills and personal values are developed by a school are specifically assessed when dealing with the students and program quality dimensions.

For accreditation by EQUIS, higher education institutions (schools of higher management) must be able to demonstrate that they meet quality criteria on three dimensions:

- high quality standards at international level in all areas defined by EQUIS model;
- a significant level of internationalization as defined in the EQUIS model;
- the needs and expectations of socio-economic environment to be well integrated into curriculum, activities and processes.

A distinctive feature of EQUIS is closely related to its European origin: appreciation for diversity. One might presume that the EQUIS model would be based on the typical European business school. However, there is no such a thing. In fact, many of those that have analyzed Europe looking for commonalities reach the conclusion that the basic common feature of Europeans is the ability to live with the idea that diversity is a source of richness and that, while there maybe value in certain convergence, diversity should be preserved. This idea is embedded in EQUIS and it has practical implications in the way EQUIS assesses schools.

For example, in any initial accreditation the Peer Review Team visiting the school includes a member who is familiar with the national higher education environment, which includes the regulatory framework and the competitive situation. Only after EQUIS

understands the environment can the school strategy be fully assessed, and only then can the school be assessed in all its dimensions evaluating its fitness for achieving its strategic objectives.

The study programs incorporate opportunities for students to gain firsthand experience from external socio-economic environment through a strong practical activity (internship).

The teaching staff has practical experience related to their field of competence and teaching and they are aware of the best practice in the domain. It also has the opportunity to be engaged in consulting activities.

The accreditation is a voluntary option. EQUIS schools receive the value added of being challenged not just to fulfill basic expectations on EQUIS quality dimensions but that of being assessed against the standards of quality that prevail in the best international institutions all over the world.

Another model of quality assurance and improvement is proposed by the European Foundation for Quality Management (EFQM).

The European model of total quality management for the European Quality Prize includes nine criteria on which organizations progress is evaluated, through TQM. The criteria are divided into two categories, which have equal weight in the assessment: enablers and results. The 9 Criteria are: 1. Leadership; 2. Strategy; 3. People; 4. Partnerships & Resources; 5. Processes, Products and Services; 6. Customer Results; 7. People Results; 8. Society Results; 9. Key Results.

Each of the 9 criteria has a definition, which explains the high level meaning of that criterion. To develop the high level meaning further, each criterion is supported by a number of criterion parts: the criteria of 'enablers' in 25, while those from "results" in 8 partial criteria.

Evaluating the performance of each criterion is achieved with a five-level rating scale (0%, 25%, 50%, 75%, 100%), according to the methodology established by EFQM. The RADAR logic helps to assess and score the level of each sub-criterion (required Results, plan and develop Approaches, Deploy approaches, Assess and Refine approaches).

The assessment procedure for quality award comprises three steps:

- analysis of self-evaluation report presented by the organization;
- conducting a new assessment, at the organization and completion of a final report;
- the decision of the jury.

Attempts to introduce quality concepts like TQM from industry to higher education have existed since the early 1980s. A delighted customer is the main message of total quality approach. It has become a widespread social trend that of a realistic definition of quality based on customer satisfaction. If in the industrial and service sector clients are well defined, defining customers of higher education services is much broader. If students are accepted as the main customers, other potential customers are employers, parents, government and society. The problem gets complicated also because of the dynamic and interactive nature of higher education. If students are the main clients for universities, they are also working material, suppliers, co-processors and products.

What exactly is "quality" in the context of higher education? Some universities define quality as "a philosophy by which we can achieve our vision and mission in a manner according with our values".

TQM is a holistic approach to achieve quality, as states that everyone must participate in quality assurance, insists on continuous improvement, cultural development and teamwork. This approach is in accordance with the academic environment and its philosophy is widespread among teachers, although some of them practices TQM without being aware of this fact.

Quality in higher education can not be made based on a two-day inspection or observation of laboratories and amphitheaters. There is no direct measurement between inputs and outputs of the system.

The purpose of higher education is to change the student, and, in particular, to help him to be able to learn alone. An attempt to measure the level of a year of study after the number of top marks means to be deprived of any methodological knowledge, as the intellectual maturity of a student with the

highest mark at his first examination is fundamentally different from that of a student who, two-three years later, reads for the completion of studies. The manner in which the student is assessed is a critical part of the learning process. Good assessment is accomplished if, upon completion of a study program or module, the student can demonstrate the extent to which s/he has acquired the expected knowledge and learning outcomes. Higher education institutions should allow student feedback on assessment, in order to find the best assessment solutions and allow for continuing improvement, over time, of the assessment procedures.

The institution is responsible for ensuring the quality of the research process, a complex process which in addition to the quality of "research itself" includes procedures on the management of funds allocated for research, funds from the public budget or from private or external sources. Contract funding can be obtained from the budget resources of the Ministry of Education and Research, from internal resources or from research grant awards from national and international donors.

A review of TQM in the university experience indicates that what was done is more related to administrative services, a problem that is significantly less complex than the academic one. In fact, the administrative body is acting as a general service organization within universities. However, the success achieved regarding customer satisfaction, teamwork, increased power of employees and the change of culture can be seen as first steps in introducing quality principles throughout the university.

3. Conclusions

The main objectives for quality assurance and continuous improvement in Romanian higher education are:

- improving the internal and external evaluation methodology, in full compliance with the European Standards and Guidelines for Quality Assurance in Higher Education (ESG);

- increasing the role of students and employers, as final beneficiaries, within the process of evaluation and assurance of education quality;
- accelerating the transition from the evaluation of input data to the predominant evaluation of learning outcomes, of graduates' insertion in the economic and social environment as a measure of education quality assurance's results;
- establishing a permanent partnership with all institutions in the national higher education system (MECTS, CNCSIS, CNFIS, ACPART) as well as with the economic-social environment, in order to correlate higher education with the labour market;
- creating a quality culture in the Romanian higher education.

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The Analysis and Assessment of the Credit Risk

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Abstract

The commercial banks main operation is the granting of credits that occupies the first place among the total investments. Any bank assumes risks to a certain extent when granting credits and certainly all the banks generally incur losses when some debtors fail to comply with their obligations. The level of the assumed risks, the losses can be minimized if the credit operations are organized and managed in a professional manner. The paper grasps the moment of the analysis process preceding the granting of the credit that mainly includes the financial analysis of the client, the internal analysis respectively to which non-financial aspects are added.

Key words: bank, credit risk, financial risk, the points method

J.E.L. classification: G20, G21

1. Introduction

In the bank current activity, all the bank products and services, therefore the credit too, contains risk elements. The credit risk is mainly generated by the fact that during the credit agreement period difficulties may appear as regards payment of the clients' contractual obligations in due time, that could not be noticed during the analysis, assessment and approval of the credit.

The non-financial and financial analysis may give the necessary elements for an assessment of the client's risk rate.

An assessment of the credit risk can also be made by means of the points method, that groups the clients into various risk categories depending on the points awarded at the analyses of various risk types that may affect

a firm (financial and non-financial).

Due to the importance of the credit risk management, the Romanian National Bank issues rules regarding the limitation of the banks credit risk, the credits and investments classification as well as for the creation, regularization and usage of the credit risks specific provisions. In our country the Romanian National Bank regulates the credit risk by means of: -rules regarding the limitation of the banks credit risk; -regulation regarding classification of credits and investments as well as the creation, regularization and usage of credit risk specific provisions.

2. The Methodology of Analysing and Assessing the Crediting Risk with the Points Method

The crediting risk analysis and assessment is a distinct activity of any bank that uses various analysis methods in order to take the necessary measures to diminish such risk.

The credit risk analysis mainly contains two stages: the risk assessment and risk management. The Credit risk assessment and analysis with the points method have in view the following risk categories.

Figure no 1. The risk categories



The financial risk (FR) reflects the difficulties that may appear in the firm financial activity related especially to the possibility to repay the obligations to the bank in due time. The documents containing the data necessary to carry on such an analysis are: the firm financial statements, official statistic data, the bank records. The reference dates when such analysis will be carried on will be the end of the latest year as well as the month prior to the credit application. For the business companies that have been carrying on an activity for less than a year the reference dates are the end of the last semester and the month prior to the credit application.

The analysis of the financial risk is carried on by means of the points method (Z) based on the J.Conan and M. Holder pattern that allows the evaluation of the bankruptcy risk and is based on the following formula:

$$Z=0,24X1+0,22X2+0,16X3-0,87X4-0,10X5$$

Where:-the variables $X1...X5$ are economic and financial indicators and the constants they are amplified with are indicators of a static nature expressing the weight of the variables in assessing the bankruptcy risk.

$X1$ = the gross operation surplus /total debts

$X2$ = long-term capital/total assets

$X3$ = (current assets – stocks)/total assets

$X4$ = financial expenses/turnover

$X5$ = personnel expenses/added value

The bankruptcy risk shall be construed as follows:

a. $Z > 0,16$ -the firm financial situation is very good, the bankruptcy risk is less than 10%;

b. $0,10 < Z < 0,16$ -the firm financial situation is good, the bankruptcy risk being between 10% and 30%;

c. $0,04 < Z < 0,10$ -the firm financial situation is under observation, the bankruptcy risk being between 30% and 65%;

d. $Z < 0,04$ -the bankruptcy risk is more than 65%.

The Commercial Risk (CR) represents the uncertainty that may appear regarding the collection of receivables and/or payment to suppliers and will be evaluated based on the following indicators:

a)The average period for collection of receivables ($P_m IC$) representing the average number of days within which the receivables are collected in relation to the turnover of the relevant period is calculated based on the following formula:

$$P_m IC = \text{Receivables (debtors)/Turnover} \times \text{no.of days}$$

b)The average period for payment to suppliers ($P_m PF$) representing the number of days within which the suppliers are paid in relation to the turnover of the relevant period is calculated based on the following formula:

$$P_m PF = \text{Unpaid suppliers/Turnover} \times \text{no.of days}$$

The assessment of the risk on the basis of calculated indicators is made as follows:

$P_m IC > P_m PF \rightarrow$ great risk

$P_m IC = P_m PF \rightarrow$ medium risk

$P_m IC < P_m PF \rightarrow$ low risk

The guarantee risk (GR) is represented by the fact that some difficulties may appear when turning the securities to account in case the credit and the relevant interest fail to be paid as per the credit agreement. The assessment of the guarantee risk is made taking into account their value level and the possibility to sell them as soon as possible:

a)maximum reliability: irrevocable and unconditional securities issued by the Ministry of Finances based on the mandate of the Romanian Government awarded on the basis of normative deeds, unconditional letters of guarantee issued by banks, promissory notes guaranteed by the banks, pledge with dispossession, bank deposits in foreign currency or lei, as the case may be, as well as securities issued by the Credit Securing Romanian Fund;

b)medium reliability: mortgages over buildings that are appropriate for industrial spaces, factories, workshops, firms, commercial spaces (shops and places of business) as well as over inside building area lands in big cities and resorts, movables procured from credits, assignment of debts from exports with payment by irrevocable letters of credit issued by agreed banks;

c)unsure reliability: buildings appropriate for homes, stocks of industrial, semi-finished, agricultural and food products, raw materials, mortgages over buildings in the rural area and over the outside building area lands, other securities.

The managerial risk (MR) is determined by the quality of the firm management team and will be analysed based on the direct contact of the credit officer with them. The assessment of the managerial risk shall be made taking into account the following characteristics of the management team:

a)they are (not) qualified and have (do not have) a long experience in the field of the firm's activity;

b)depending on the evolution in time of the economic and financial indicators, they showed (did not show) the necessary capacity to efficiently run the company;

c)the quality of the relation with the owners (partners), employees, the organisational and team spirit, ability to cope with the changes;

d)they had (not have) proper relations with the bank: they made (did not make) operations through the opened account, opened (did not open) accounts with other banks, repaid (did not repay) the loans in due time, paid (did not pay) the interests in due time etc. and with the business partners: they are (not) permanent partners, paid (did not pay) the suppliers in due time, collected (did not collect) the debts in due time, had (did not have) litigious with the partners, whether they were involved in tax evasions etc.

The sensitivity risk (SR)- for the long term and medium term investments (at economic agents and natural persons) when analysing and assessing the credit risk a sensitivity analysis is carried on too. The sensitivity analysis is a technique of analysing the individual risk of an investment project that indicates how much VNA (the net capitalised value) or RIR (the profitability internal rate) will change as a reaction to the alteration of an entry variable with the other elements remaining constant. Any decision of the economic agents as regards the development and restructuring of production, upgrading or modernisation of the capital assets that may be put into application by means of the long term and medium term credits involves a risk in obtaining the initially estimated results due to the influence of continuous changes in the technical, financial, economic social, internal and external environment. Hence, the necessity to analyse the sensitivity of the studied alternatives in relation to the probable changes as well as the risk coefficient under the influence of the factors that could not be explicitly taken into consideration. Such changes may be: the raw materials price increase; the increase of the equipment cost (between the moment the project was elaborated and the moment it was purchased) wages increase; the increase of the investment value during the performance

thereof; the increase of the production costs; failure to achieve the projected production capacity (it is maintained at a certain percentage of the total); the unjustified extension of the manufacturing period as against the project provisions; the risk of the external competition; the risk of the occurrence of calamities etc.

Two indicators are used to analyse the sensitivity:

RIRb = the financial profitability rate calculated based on the cash flow availability for the basic alternative;

RIRf = the financial profitability rate calculated based on the same cash flow plus a 1% increase of the production costs in relation to the incomes as a result of the cumulated action of the above mentioned factors.

The risk coefficient in relation to the basic alternative (r) is calculated based on the following formula:

$$r = (RIRb - RIRf) / RIRb \times 100\%$$

The conditions to be fulfilled are:

-RIRF to be higher than the relevant interest rate of the credit submitted to be approved;

-r < 75%.

RIR (the internal profitability rate) offer the global image of the efficiency of the investment project at any moment and it is the capitalize rate for which VNA is null, that is the capitalised income flow equals the capitalised expenses flow.

The total risk (TR) of credit will be established on the basis of the points awarded as per the risk class.

$$RT = RF + RC + RG + RM + RS$$

The risk classes:

class I - 100-80 points

class II - 79-65 points

class III - < 65 points

The significance of the risk classes:

Risk class I: the business companies of this class have very good financial performances, which allows payment of their obligations to the bank at the due date. It is supposed that the financial performances shall be maintained in the future and the securities offered by these clients ensure maximum reliability. The credit risk is minimal.

Risk class II: the financial performances of the business companies are good but the present level cannot be maintained for the

future. The securities offered by the client ensure a medium reliability. The credit risk is medium, and the approval is given provided that additional conditions are fulfilled regarding the financial indicators, guarantees.

Risk class III: the financial performances are low or indicate losses, the debts to the bank cannot be paid and the securities provided do not ensure the possibility for a quick transformation into liquidities. The credit risk is very high.

3.The management of the credit risk

Having in view the importance of limiting the credit risk, the Romanian National Bank issue rules and regulations about how to manage such risk that refer to:

- the banks own capital and funds;
- gross and net exposure;
- exposure to a single debtor;
- great exposure;
- supervising the solvency indicators;
- supervising great exposures;
- supervising the loans granted to persons that are in special relations with the bank, to the own employees and their families;
- classification of the credits granted to the non banking sector clients;
- classification of credits granted to other banks and the investments made to them;
- the formation, regularisation and usage of the credit risk specific provisions.

According to this regulation the credits and investments are classified under the following categories: -standard; -under observation (only for credits granted to non banking sector clients); -substandard (only for credits granted to non banking sector clients); -doubtful (only for credits granted to non banking sector clients); -loss.

The classification of credits and investments is made by simultaneously applying the following criteria:

the debt service —>the capacity of the debtor to pay its debt on due date, expressed as the no of payment delay days from the due date;

the financial performance —>reflects the economic potential and the financial solidity of the economic entity obtained as a result of the analysis of a group of qualitative and quantitative factors (economic and financial indicators calculated on the basis of the data obtained from the annual and periodical

financial statements);

instituting legal proceedings—>at least one of the measures taken in order to recover the debts: the court passes the judgement to open the bankruptcy procedure;the commencement of the enforcement procedure against natural persons or corporate bodies.

As regards the banking sector clients as well as the natural persons, the financial performance will be considered of the A category.

The assessment of the financial performance of a non-banking sector economic agent will place it in one of the five financial performance categories. Their Board of Trustees based on the points attributed to some quantitative and qualitative factors shall make such assessment according to the banks internal regulations approved. The points will be established taking into consideration quantitative factors mainly referring to liquidity, solvability, risk and profitability indicators and the qualitative factors mainly referring to aspects related to the way of managing the firm, the shareholding and management quality, the securities obtained and the market conditions under which it carries on its activity.

In case the banks are unable to assess a non-banking client financial performance, this client shall be placed in the E category.

The good standing represents the financial performance of the economic agent attesting that the bank is confident at the moment of the credit request that the client will repay the contracted credits on the due date together with the relevant interest.

The financial good standing is established by calculating some financial indicators on the basis of the data from the accounting forms depending on the period for which it is established.

“The financial profitability rate” indicator shall be taken into consideration for the calculation of the good standing at the value obtained on the basis of the data from the annual financial statements irrespective of the date when the analysis is made.

4. The analysis and assessment of the credit risk by means of the points method

We have the hypothetical situation when a short term credit is required for the current activity by a firm whose object of activity is the selling of industrial products and performance of services regarding the technical and material supply to private agricultural producers and other economic agents in the agricultural and food industry field as well as to other economic agents.

From its beginning the firm has an account current opened with the bank, it is a constant client and annually has benefited from financing for the performance of its activity.

According to the bank's regulations the analysis and assessment of the credit risk are made having in view the following risk categories:

- 1.the financial risk
- 2.the commercial risk
- 3.the guarantee risk
- 4.the managerial risk

1.The financial risk. Its analysis was made by means of the points method (Z) based on J. Conan and M. Holder pattern for the assessment of the bankruptcy risk:

$$Z=0,24X1+0,22X2+0,16X3-0,87X4-0,10X5 = 0,23$$

Where:

$$X1=\text{the gross operation surplus/total debts} = 0,508$$

$$X2=\text{Long-term capital/total assets} = 0,503$$

$$X3=(\text{current assets-stocks})/\text{total assets} = 0,4717$$

$$X4=\text{financial expenses/turnover} = 0,02658$$

$$X5=\text{personnel expenses/added value} = 0,473$$

The used data to determine such indicators are form the "Patrimony situation" and the "Financial Results".

The necessary information exclusively for obtaining the above values is taken from the accounting forms.

Table no 1. The financial results of the analysed firm thousand RON

Value indicators	Financial year n
Operating incomes	14728,3
Operating expenses	13865,4
Gross operating surplus	862,9
Financial expenses	391,5
Personnel expenses	835,9
Added value	1766
Turnover	14728,2
Gross profit	511,4
Net profit	337,8

Source: Data processed from the firm financial and accounting reports

Table no 2. The firm patrimony situation thousand RON

Value indicators	Financial year n
Total/current debts	1697,4
Own /long term capital	1722,1
Long term debts	0
Current assets	3048,3
Stocks	1435,1
Total assets/liabilities	3419,6
Receivables	330 days
Payables	420 days

Source: Data processed from the firm financial and accounting reports

The Z score is at the value of 0,23 and in this case the firm's financial situation is construed to be very good with a bankruptcy risk lower than 10%

2.The commercial risk. It is analysed taking two indicators into consideration: the average period for collection of receivables and the average period for payment of suppliers and represents the uncertainty that may appear as regards the collection of receivables or payment to suppliers.

a)the average period for collection of receivables (P_{mIC})

$$P_{mIC} = \text{Receivables (debtors)/turn over} \times \text{no.of day}$$

$$= (330 \times 330)/14728,2 = 7,4 \text{ about 8 days}$$

b)the average period for payment to suppliers (P_{mPF})

$$P_{mPF} = \text{unpaid suppliers/turnover} \times \text{no.of day}$$

$$= (420 \times 330)/14728,2 = 9,4 \text{ about 10 days}$$

The data used to calculate these indicators are from the "Annual Financial Statements". The assessment of the risk on the basis of these indicators drew the conclusion of a reduced risk because: $P_m IC < P_m PF$.

3. The guarantee risk. Taking into consideration that two mortgages are the securities granted by the firm, it was considered that they represent a medium reliability as regards the recovering of the credit granted.

4. The managerial risk. The credit officer who analysed the firm's application for credit was under continuous and stable relations with the firm and its legal representatives. His credit analysis report contains a characterisation of his relation with the firms and its managers as follows:

- the management team is qualified and has a long experience in the field in which the firm carries on its activity;
- considering the future evolution of the financial and economic indicators we can conclude that they efficiently manage the business;
- the company management did not have major problems regarding their relation with the shareholders or employees; they proved ability and adaptability to the economic changes;
- as regards the relation with the bank, the firm repaid the capital and interest in due time and did not and does not have any accounts opened with other banks.

5. Conclusions

Following these appreciations the assessment of the credit total risk is as follows:

1. the financial risk (FR) $Z=0,23$
50 points

2. the commercial risk (CR) $P_m IC < P_m PF$
10 points

3. the guarantee risk (GR)- medium reliability guarantee
10 points

4. the managerial risk (MR) - the management team is qualified and experienced in the field;- the firm is in very good relation with the bank and third parties
5 points

5 points

THE TOTAL CREDITING RISK (TR) =
 $FR + CR + SR + MR = 80$ points

The firm was placed in Risk Class I, which underlines once again that the financial performances of the firm are very good as well as that the granted securities give a maximum reliability and the crediting risk is minimal

Considering the above, the risk committee gave their credit approval, which together with the conclusions of the risk analysis were comprised in the "Analysis and Assessment of the Credit Risk Report" that completed the credit file. This file was then remitted to the credit officer responsible for the further development of the crediting process.

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Regulations regarding the Organisation and the Governance of the Accounting by the Legal Persons without Patrimonial Purposes

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Abstract

In our country, the religious cults which, according to the fiscal regulations in force have the status of legal persons without a patrimonial purpose, also carry on economic activities and, consequently, they have the obligation to organise and to govern the accounting, analytically and distinctly, for the activities without a lucrative purpose.

According to the provisions of the Order of the Ministry of Finances no. 1969 / 2007 regarding the approval of the accounting regulations for the legal persons without a patrimonial purpose, the religious units of the Romanian Orthodox Church, too, that carry on activities without a patrimonial purpose are under the obligation, according to the law, to administer the double-entry accounting and to draw up financial accounting statements. In this context, the religious units of the Orthodox Church, - except for the Parishes - that is deaneries, the monasteries, the eparchies, the metropolitanites and the Patriarchate, as they belong to the category of legal persons without a patrimonial purpose, according to the law must keep the double-entry accounting.

Key words: patrimonial purpose, financial accounting, the religious cults, legal persons
J.E.L. classification: M41

1. Introduction

The Order of the Ministry of Public Finances no. 1969 / 2007 regarding the approval of the accounting regulations for the legal persons without patrimonial purpose was focused on the establishment of the basic accounting principles and rules for the activities without a patrimonial purpose.

According to the provisions of these Regulations, the units of the religious cults are under the obligation to apply the double-entry accounting and to draft yearly financial statements for these units. Also, in accordance with the fiscal regulations in force, the units of the religious cults which carry on economic activities are under the obligation to organise and govern the accounting, analytically-distinctly, for the activities with a patrimonial purpose, including the activities with a special purpose[1].

The Ministry of Economy and Finances chose to develop an accounting system of its own in line with the international legislation in this field. Thus, through the Order of the Ministry of Economy and Finances no. 1969 of 2007, the accounting Regulations[2] for the legal persons without a patrimonial purpose were approved, that is for Associations, Foundations or other Organisations of this kind, political Parties, Patronates, trade-union Organisations, religious Cults and other legal persons established on the basis of some special laws. In order to carry on activities without a patrimonial purpose, they are under the obligation to govern the double-entry accounting and to draft yearly financial statements.

2. The accounting regulations

The Order of the Ministry of Economy and Finances no. 1969/2007 also provided that "for the economical activities carried on, in accordance with the law, by the legal persons without a patrimonial purpose, these regulations will be completed, according to the case, by the accounting Regulations in accordance with the IV-th Directive of the European Economic Community, provided in the Appendix to the Order of the Ministry of Public Finances no. 1752/2005, with its

further modifications and completions" (Art. 1, par. 3).

In the Order no. 1969/2007 they also approved the "Accounting regulations regarding the organisation and governance of single-entry accounting by the legal persons without patrimonial purpose" (Art. 3).

The text of these Regulations[3] – provided in Appendix 2 to the Order – explicitly provides that among the first categories of legal persons without a patrimonial purpose are "the units of the cults", which "are under the obligation to organise and govern the single-entry accounting", if their normative act "of establishment contains explicit provisions in this respect" (chap. 1, par. 1 and 2).

The same text provides that "the single-entry accounting system, in the sense of the present regulations represents the ensemble of legally regulated account books and accounting documents which serve to keeping the accounts, in a compulsory chronological and systematic manner, of the economic operations mentioned in the covering vouchers." (chap. 2, A, 1).

The "Regulations" also specify that the legal persons can use the account books and accounting forms "in accordance with the elements of the activity carried on" (chap. 2, A, 2), but, "depending on the necessities, ..., also the other account books and forms which are common in their national economic system, regarding the financial and accounting activity, developed by the Ministry of Economy and Finances" (Chap. 2, A, 3). However, the patterns of these account books and accounting forms, can be adapted according to the nature and the necessities of the legal persons without a patrimonial purpose – among which the religious Cults – "under the condition to meet the minimal information content and to observe the methodological norms regarding their elaboration and use" (Chap. 2, A, 4).

Given that the juridical persons without patrimonial purpose which govern the single-entry accounting "do not draft financial statements" (Chap. 2, A, 7), the respective "Accounting regulations" specify that these ones "... can use all the forms provided in the Appendix to the present Regulations or only a part of these, ..." (Chap. 2, A, 2). In the Appendix they present the following two books, namely: a) the Journal – Account

Book, and b) the Inventory Account Book. Actually, these "accounting Regulations" specify that, in the case of the legal persons without a patrimonial purpose, the single-entry accounting "is kept with the help of the following compulsory account books: the Journal-Account Book and the Inventory-Account Book (Chap. C, 1).

With the purpose of verifying the correct bookkeeping of the operations made on a monthly basis, they provide it is compulsory that the "Statement of the elements of credit balance and debit, ..., on the basis of the data recorded and totalised in files and in ledgers" (Chap. 2, A, 8) be made.

3. The quality of legal persons of public utility

According to the legislation in force, the units of the religious cults have the quality of "legal persons of public utility" (Art. 8 par. 1 of the Law no. 489/2006, or, more explicitly – as the Status of organisation and functioning of the Romanian Orthodox Church provides – of "legal persons of private law and of public utility" (Art. 41, par. 1).

However, we must specify the fact that the units of cults have the status of legal persons without a patrimonial purpose and not of legal persons of public law, as provided by the Decree no. 177/1948, art. 28 and the Statutes of the Romanian Orthodox Church of 1949, art. 186. In this sense, their status of legal persons, without a lucrative purpose, should have obliged the administrative-territorial units of the recognised religious Cults "to keep the double-entry accounting according to Appendix no. 1 to the Order of the Ministry of Finances no. 1969/2007 at all organisational levels"[4]. But, based on Article 18 of the Accounting Regulations of 1993, completed through the Norms of the Ministry of Public Finances no. 460051/2001, the units of cults were entitled to keep the single-entry accounting. This right also applied to the parishes of the Romanian Orthodox Church was established through Appendix 2 to the same Order of the Ministry of Economy and Finances no. 1969/2007. But, as an expert in the field of the existing accounting regulations noticed, regarding the diversity of the activities

carried on by the units of the cults, "the delimitation of the public, philanthropic character, without a lucrative purpose and of the private, even economic character of many activities within the religious units from the public character dedicated to the general interests of preaching the faith among the believers is very hard to accomplish in the context of the present regulations which prove to be contradictory and insufficient as they don't approach these aspects in a distinct manner, ..." [5].

As "legal persons of private law and of public utility" (acc. to Art. 41 par. 1 of the Statutes of the Romanian Orthodox Church), the administrative-territorial units of the Romanian Orthodox Church – both local (the parish, the monastery, the deanery, the vicariate, the eparchy and the metropolitanite – and central (the Patriarchate) – are entitled to "two unique fiscal registration codes: one for the non-profit activity and the other for the economic activity" [6].

The Law of the Cults (489/2006) and the Statutes of organisation and functioning of the Romanian Orthodox Church (2008) make no specification or mention with regard to the manner of organising the accounting within the units of the cults. But, taking into account the fact that these ones, although they have the status of legal persons without a lucrative purpose, were discharged of the obligation of keeping a double-entry accounting record on the basis of Article 18 of the accounting Regulations of 1993, completed through the norms of the Ministry of Public Finances no. 460051/2001, which gave them the right to keep „a single-entry or double-entry” accounting record (pt. 1, 2 par. 10), this category of "legal persons without a patrimonial purpose", which can also organise and govern the single-entry accounting includes – apart from the units of the cults – the Associations of owners.

Within the Romanian Orthodox Church, only the Parishes are keeping a single-entry accounting record, because the other units – from the deanery above – apply the double-entry accounting record.

We should also mention that the relationships between the religious units and the authorised persons – natural persons or legal persons – who keep or govern the accounting are established „on the basis of a contract of service provision (of

collaboration)" [7], according to the Law no. 130/1991, to the Law of accounting no. 82/1991 and to the fiscal Code approved by the Law no. 571/2003.

Finally, one must know that "not drawing up, drawing up in a wrong manner and/or not using the supporting and financial-accounting books, forms or documents according to the methodological Norms of the Ministry of Public Finances, approved by Order no. 3152/2008 or the other orders of the Ministry of Public Finances will be punished according to the legal provisions" [8].

Therefore, we shall notice that, in accordance with the fiscal regulations in force, the religious Cults from our Country, which have the status of legal persons without a patrimonial purpose and also carry on economic activities are under the obligation to organise and govern the accounting, analytically and distinctly, for the activities without a lucrative purpose [9].

The management accounting is organised by every unit of the religious cults according to the nature of its activity and to its own necessities.

According to the Order of the Ministry of Finances no. 1969/2007 regarding the approval of the Accounting Regulations for the legal persons without a lucrative purpose, the financial year will start on January 01 and will end on December 31, except for the first year of activity, when this will begin on the date of the establishment of the legal persons without a lucrative purpose, respectively of the religious organisations that fit into this category of economic entities.

In our country, the religious cults which, according to the fiscal regulations in force have the status of legal persons without a patrimonial purpose, also carry on economic activities and, consequently, they have the obligation to organise and to govern the accounting, analytically and distinctly, for the activities without a lucrative purpose.

Based on the resolutions of the Holy Synod of the Romanian Orthodox Church and on the Norms of the Ministry of Public Finances [10], the parishes have the right to keep the single-entry accounting record by option.

4. The accounting regulations and the religious units of the Romanian Orthodox Church

According to the provisions of the Order of the Ministry of Finances no. 1969 / 2007 regarding the approval of the accounting regulations for the legal persons without a patrimonial purpose, the religious units of the Romanian Orthodox Church, too, that carry on activities without a patrimonial purpose are under the obligation, according to the law, to administer the double-entry accounting and to draw up financial accounting statements. In this context, the religious units of the Orthodox Church, - except for the Parishes - that is deaneries, the monasteries, the eparchies, the metropolitanites and the Patriarchate, as they belong to the category of legal persons without a patrimonial purpose, according to the law must keep the double-entry accounting. In fact, the following categories of units of the Orthodox religious Cult are under the obligation to govern the double-entry accounting:

- the entities which create their own funds for self-financing, as well as the funds received as a complement in the form of subsidies from the state budget;

- the deaneries, the monasteries, the eparchies, the metropolitanites and the patriarchate, which keep the record of their incomes and public expenses;

- the church units that own sectors of auxiliary production which are distinctly organised into units destined to the production of objects and goods peculiar to the religious units;

- the church units the activity of which is focused on the preservation and restoration of the monuments of religious architecture which belong to the national patrimony;

- the church units which benefit from funds from the state budget for:

- the establishment and the restoration of the religious Orthodox places;

- the strengthening, preservation, restoration and promotion of the objects of cultural patrimony, either mobile or non-mobile.

According to the republished Law of accounting[11], the responsibility for the organisation and the governing of double-entry accounting falls on the administrator or

another person who is under the obligation to manage the respective unit.

The Orthodox religious units which carry on economic activities according to the law are under the obligation to organise and govern the analytical and distinct accounting for the activities without a patrimonial purpose, including the activities with a special purpose.

If the accounting of the religious unit is not organised in distinct compartments and if that unit has no qualified staff according to the law or no contracts of service provision in the field of accountancy signed with authorised natural persons or legal persons, the persons responsible for the observance of the accounting norms will be the administrator or the person who is under the obligation to manage that unit, respectively. Anyhow, the existence and the increase in the material resources of the Orthodox church units lead to the necessity to administer, manage, preserve and keep the accounts of the church patrimonial goods.

The administrative-territorial units of the Orthodox Church, which, in accordance with the accounting and fiscal regulations in force have the status of legal persons without a patrimonial purpose and carry on economic activities[12] (ex. they make church furniture, candles, religious objects, etc.), are under the obligation to organise and govern the accounting, analytically and distinctly, for these activities without a lucrative purpose. As regards the management accounting, it is organised by every church unit according to the nature of its activity and to its own necessities.

The supervision and control of the administrative activity and of the administration of the parish goods at the level of a parish as at all levels of church administration is made both by the church body and by bodies of the state, according to the law.

The control of the administration activity of the parish patrimony has the following purposes:

- the accomplishment of the financial plan and the integrity of the patrimony;

- the observance of law and the assuring of a rigorous order as the use of the funds is concerned;

- the prevention, finding and compensation for the damages brought to the assets of the parish;

- the call to account of the ones guilty of breaking the laws and of causing prejudice to the assets of the parish;

The supervision, the legal guidance and the control of the activity of the Romanian Orthodox Church at parish level are made directly by the following church bodies:

- the Bishop, through work, guidance and control[13] visits, on the basis of which periodic reports to the Holy Synod are made;

- the eparchial inspectorship and the monastery exarch, by the order to the local hierarchy;

- the eparchial administrative bodies: the administrative vicar, the counsellors and the chief accountant of the eparchy;

- the parish priest, who supervises, guides and controls the epitrops[14].

The supervision and control from the part of the state is made by the following state bodies:

- the bodies of the former Ministry of Culture and of Cults, including the auditors from its Body for financial and management guidance and control;

- the financial inspection made by the General Direction of territorial Public Finances;

- the specialised bodies of the state: the Police, the Public Prosecutor's Office, the State Control Office with the approval of the central state and church bodies.

At the parishes, the preventive and at the same time operative control is exerted by the parish priest and the post-operative control is exerted by the other bodies.

The control of the integrity of the patrimony of the parish, be it preventive, operative, present or subsequent is made in a constant manner with the purpose to prevent any prejudice to the assets of the parish, to discover the damages in time, to compensate for them and to establish a spirit of responsibility and good administration, to that, with a view to the appropriate expense of funds.

The compensation for the prejudice brought to the church patrimony will be made in accordance with the legal provisions. The parish council, in case it has brought prejudice to the assets of the church will be dissolved by the decision of the Bishop.

5. Conclusions

As a conclusion, the members of the administrative bodies of the parish church assets are responsible for the prejudice brought to these assets through dishonesty, negligence or ignorance.

The civil liability does not exclude the penal liability and the approval of the management is not a discharge of responsibility for the disorders found subsequently[15].

The bodies in charge of the control of the acts of administration are liable for all the prejudice caused to the church assets by not exerting the control they were obliged to exert or by exerting an insufficient, superficial control[16].

According to the legislation in force[17], the religious cult has its own religious consistories for the problems of internal discipline, according to its own statutes and regulations. The existence of these own religious consistories does not obstruct the enforcement of the legislation with regard to infringements and offences within the jurisdictional system.

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The Impact of the Current Financial Crisis on Romania' Budget

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Abstract

Global economy was significantly affected by the global financial crisis and especially the budget balance of all countries.

Starting with 2008 the global economy has been confronting the deepest economic downturn since the Great Recession in 1930. The crisis had a high level of synchronization, both the developed and the emerging economies being affected, showing a significant increase of the inter-dependence between the world economies.

Many countries experienced recession in 2008 and Romania went into recession in the third quarter of 2008.

In this article we present the impact of the present crisis on the Romania' budget and fiscal sector between the end of 2007 and the end of 2010 and the forecasts for 2011 and 2012.

Key words: financial crisis, budget, deficit, fiscal policy

J.E.L. classification: G01; G20.

1. Introduction

The financial and economic crisis has entailed a generalized and severe worsening of fiscal positions in all European Union countries.

Research methodology used by authors is specialized literature review and the review of specialized analyses provided by national and European authorities in this field of interest.

Due to the "Financial Stability Review" edited by European Central Bank in June 2011 the five key risks to euro area financial stability are:

1. *The interplay between the vulnerabilities of public finances and the financial sector with their potential for adverse contagion effects*

2. *Bank funding vulnerabilities and risks related to the volatility of banks' funding costs*

3. *Losses for banks stemming from persistently subdued levels of, or a further decline in, commercial and residential property prices in some euro area countries*

4. *Risk of a market-driven unexpected rise in global long-term interest rates, with possible adverse implications for the profitability of vulnerable financial institutions*

5. *Tensions related to international capital flows, asset price growth in emerging countries and the risks associated with a re-emergence of global imbalances."* [1]

In Romania, one impact of the crisis over Romanian economy was the sharp deterioration of budget deficit ratio.

2. Economic situation of the government sector in European Union

The evolution of general government budget balance of European Union member states between 2007 and 2010 and its forecasts for 2011 and 2012 are presented in Table 1.

Following the sharp deterioration in 2009, and its value from 2010, the government budget deficit ratio in the European Union as a whole is expected decline to 4.6% of GDP in 2011.

The deficit in 2010, on the one hand, is affected by: still unfavorable cyclical factors, the continued impact of fiscal stimulus measures, capital injections in the banking sector and the pick-up in interest payments.

On the other hand, tax increases and spending restraint are contributing to a better fiscal position.

Concerns about some governments' ability to restore sustainable public finances over the medium term have again fed tensions in government bond markets in the past months, leading to a tightening of refinancing conditions for some countries in particular. Their high budget deficits and high and rising government debt ratios remain a risk to financial stability in all European Union member states. [1]

Table 1. The annual dynamics of general government budget balance

Year	General government budget balance - % of GDP-
2007	- 0,6
2008	- 2,0
2009	- 6,3
2010	- 6,3
2011*	- 4,6
2012*	- 3,9

* - forecasts

Source: European Central Bank

3. Economic situation of the government sector in Romania

In most non-euro area EU countries, which Romania is part of, the prospects for economic activity have improved since the end of 2009.

In many non-euro area EU countries, domestic drivers of growth remained depressed, while output growth continued to depend on foreign demand. Narrowing or stable credit default swap as well as interest rate spreads, rising stock prices and appreciating currencies vis-à-vis the euro suggest that financial conditions have improved somewhat.

In some countries with IMF/EU financial assistance program, however, financial conditions weakened on account of market concerns regarding the continuation of assistance.

Due to the negative effects of current crisis over the Romania economy the Romania' budget deficit evolution between 2007 and 2010 and its forecasts for 2011 and 2012 is presented in Table 2.

Table 2. The annual dynamics of Romania' budget balance

Year	General government budget balance - % of GDP-
2007	- 2,6
2008	- 5,7
2009	- 8,5
2010	- 6,5
2011*	- 4,4
2012*	- 3,0

* - Forecasts

Source: Ministry of Public Finance - Romania
Convergence Program 2009-2012

The budget deficit has increased from 5,7% of Gross Domestic Product in 2008 to 8,5% by the end of 2009, mainly as a result of the impact of the economic contraction on the budgetary revenues and expenditures (automatic stabilizers), but also due to related measures to sustain the economic recovery and stability process.

Although the Romania' Ministry of Public Finance expects a gradual further reduction of the budget deficit, fiscal imbalances are expected to persist over the next 2 years, with the deficit, under current policies, estimated to stay in the range of 3,0% to 4,4% throughout 2011-2012.[4]

Because the increase of the Romania budgetary deficit at 8,5% at the end of 2009, Romania entered under the excessive deficit procedure.

The excessive deficit procedure is governed by the Article 126 of the Treaty and the Council Regulation regarding the acceleration and clarification of the excessive deficit procedure implementation.

The excessive deficit procedure sets down the criteria and the deadlines for the European Council to adopt a decision regarding the existence of an excessive deficit.

"The excessive deficit Procedure is initiated when the actual or forecasted deficit exceeds the 3% of Gross Domestic Product (GDP) ceiling, except the situation when the deviation is of an exceptional and temporary nature outside of the control area of the respective member state and has a major impact on the fiscal position, or due to a major contraction of the economic activity."

According to the Council Decision dated July 7, 2009 Romania is facing the excessive deficit procedure. According to this decision, the Romanian authorities implemented in a strict manner the provisions in the previous Council Decision.

However, considering the higher than expected negative impact of the international context on the Romanian economy, the Council has issued a revised recommendation whose main provisions are as follows:

- the Romanian authorities have to implement the budgetary measures agreed for 2010 and diminish within a medium term framework and in a sustainable manner the budget deficit to less than 3% of the GDP until 2012;

- the Council sets down the deadline of 16 August 2010 by which Romania has to implement the agreed measures for attaining the consolidation objective in 2010.

The progress report will be based on the outcome assessment compared to the European Commission's autumn forecast;

- adopt and implement the Pension Law and improve the long-term sustainability of the pension system;

- make efforts for an average annual consolidation of 1,75 percentage points for the 2010-2012 interval and elaborate the necessary measures for reaching the deficit objective of below 3% of GDP and, if cyclical conditions allowing, to accelerate the reduction of the budgetary deficit only if the overall economic conditions are more favorable compared to the initial forecasts.

The initial budget and rectifications realized in 2009 by Romanian government foreseen budgetary measures in order to reach the assumed objectives, some of the most important being:

- (i) an increase of 3,3 percentage points of the social security contributions;

- (ii) increasing the excise for tobacco and spirits;

- (iii) creating a minimum income tax for contributors who declare a lower income tax compared to the legal threshold;

- (iv) expenditure rationalization by freezing public sector wages, reducing the bonuses and benefits, freezing the public sector employment and elimination of the vacancy jobs;

- (v) reducing the subsidies and goods and services expenditures;

- (vi) implementing a VAT non-deductibility regime with some exemptions for vehicles and fuels expenditures for certain transportation means.

The measures took by Romanian government in 2010 were mainly focused on containing the current expenditures by:

- (i) diminishing the wages expenditures by freezing the salaries (with the exception of the wages situated below the minimum monthly ceiling of Ron 705), freezing the public sector employment and continue the replacement policy of 1 for 7 (leaving the public sector) and cutting down the expenditures related to the bonuses and supplementary hours;

- (ii) making savings by freezing the pensions (except the social ones) and by a better rationalization of the disability and anticipated pensions taking into account a more restrictive implementation of the existing legal framework;

- (iii) diminishing the goods and services and transfers expenditures;

- (iv) reassessment of property taxes, increase of the excises for tobacco and fuels and implementation of the turnover tax on medical products distributors.

Government's expenditures will be restructured with the aim of containing the current expenditures and increasing the public investment space while on the same time promoting the adjustment of the budget deficit.

4. Conclusions

Regarding the period 2011 – 2012, the future actions that will be taken by Romanian government are presented in "Romania Convergence Program 2009-2012".

One of the objectives assumed by the fiscal policy during the forecasting period is the reconciliation between the reduction of the budget deficit and meeting on a sustainable basis of the convergence nominal criterion while at the same time elaborating the necessary set of measures aiming to contain the effects of the global economic and financial crisis on the Romanian economy.

To this purpose, the budget policy aims at smoothing functioning of the economy through the cycle, reducing the inflationary

pressures and containing the external imbalances.

The Convergence Program describes the Romania's ability of diminishing the structural deficit to less than 3% of the GDP up to 2012, and creating a safety margin to avoid exceeding the 3% level.

On long term, the Government will continue its efforts for the fiscal consolidation in order to reach a balanced budget along the economic cycle, creating at the same time a safety margin in order to avoid exceeding the ceiling of 3% of GDP given possible future adverse economic conditions with a negative impact on the economic growth rate. Implementation of the fiscal responsibility law is an important anchor from the perspective of changing the institutional incentive framework and increasing the probability of benefiting from sound fiscal policy decisions, able to allow the achievement of this objective.

Also, Romania maintains its commitment of adopting the euro currency by the 1st of January 2015, being an important anchor in promoting the necessary budgetary and structural reforms aiming at increasing the flexibility of the Romanian economy.

The Government's vision on the fiscal policy area focuses on ensuring a motivating and unbiased environment, being at the same time centered on measures aiming at consolidating the transparency, stability and predictability of the fiscal policies. In addition, improving the sustainability of the public finances is a crucial objective taking into account the adverse demographic trends. The consolidation of the tax base continues to be the key to ensuring the necessary resources for the economic development and the fulfillment of Romania's commitments as an EU Member State.

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The Overall Strategic Communication in Marketing Events in the Current Economic Crisis

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Abstract

Communication strategies, the nature and content are derived in relation to other strategies, more general subject of management and strategic marketing. Within the overall management process, they are situated among strategic marketing components as a strategic mix variable. Consequently, communication strategies through events, in the current economic crisis, occur as part of the communication mix. Organizations have to find new means to reach the public and to determine them to adopt different types of behavior, in order that the companies should reach their objectives. In this situation, communication strategies within event marketing fall into the general strategic line described by business general strategies and marketing strategies, bearing in mind to make an event cost efficient and also a green event.

Key words: events, marketing strategies, mission, communication, budget planning

J.E.L. classification: M30

1. Introduction

General strategies of a company are management tools that are subject to market-oriented strategic planning. They are of great variety and directs the overall activities of the enterprise, and are therefore known as corporate strategies, business strategies etc. Taken in connection with the event, both as a business area and as communication tools, the most important general policy instruments are: market-oriented company mission, business areas, development

strategies, new product planning and budget planning. [10] The economic global crisis has also affected Romania, especially the companies in the service sector, and even the companies realizing events for other organizations. The struggle for survival, especially for the companies in the service sector, is at the highest peak.

2. Market-oriented company mission

According to some authors, a business mission is a concise statement regarding the goal of the company, the reason for its development. The expected success of any enterprise in fulfilling its mission, it can be achieved only if all levels of the organization adhere to its mission and act so as to contribute towards achieving them. [2]

In the event industry, the company's mission has a double aspect, a tool: on the one hand, the company – whose main activity is to organize events, and have customers – organizations and customers, participants – having emphasis on creativity, inspiration, impressions and spectacular; on the other hand, the company – whose main activity is not organizing events, but wants to send certain messages through such events that adhere to the organization's mission and vision, in this case the emphasis is usually placed on products / services / customers.

It is likely that the missions, both for event organizing companies and those that communicate through events to be very similar. We must not omit the fact that, for the companies in the first category, in terms of mix, the event is a part of their product, while the second category, the events are part of the promotion policy, and thus differences

can occur between the vision and the mission of a corporation.

It can be concluded that the mission of the two types / categories of organizations vary, depending on the strategic line. And the strategic line is shown by how the events are located in the mix, either in product policy, promotion policy, or there are a few cases in which they are part of both. [3]

After it was determined how the organization wants to position the event in the minds of consumers, there can be designed a positioning statement. This should create clarity, consistency and continuity in how the organization communicates with the market.

A positioning statement is a document that is created only for the use within the organization – it is being used in almost all communications in the planning department. [7] It is essentially an internal document which helps the company to target its marketing efforts by communicating a consistent and unified view, together with a common goal that can be shared by everyone in the organization.

A. Delimitation of business areas

In event marketing, the instrument appears in the management of event organizing companies. Defining the scope of operation is a management tool which determines subsequent processes and is based on careful analysis of the results of research in which strategic planning tools were made and used. The analysis is done carefully because it takes into consideration the relationship between the products / services - markets - management tools, the most valuable formula being the one that allows the most efficient use of marketing tools. An analysis requires experience, comparison, auditing, and especially vision, the specialist imagining the evolution of marketing processes on different tracks, defined by the possible alternatives within the operating range. [13]

In the case of companies, other than those organizing events, business areas delimitation creates prerequisites for using events as communication tools in a manner that takes into account, because of their interdependency, the way in which the business domains were divided. Basically, it

is a similar separation and the way of using events as communication tools. [4]

B. Development strategies

Development strategies are marketing management tools through which the organization can improve its activities. In event marketing, these have a double role. On the one hand, there are development strategies of organizations that communicate via events and on the other hand, those of the companies that organize events for other organizations. For organizations that have as their primary goal creating events, they must decide whether, in order to achieve the objectives of communication and marketing, is in their best interest to communicate through events, or just to promote in a traditional manner, without developing an event, product/service subject to development strategies. [13]

A company hired to carry out events for other organizations, has, in this case, a different approach to strategies that can be used for developing the service portfolio, taking into account the complexity of events, but also the human and material resources that are involved when organizing an event.

The best known approach belongs to Igor Ansoff, according to which strategic alternatives are presented in the product-market matrix. We could use Ansoff matrix according to table 1, and the main types of strategic options that can be used are the following[8] [13]:

Table 1. Market Matrix – products in the field of services

services markets	Current services	New services
Current markets	Market penetration	Development of services
New markets	Market development	Business diversification

Source: [Ansoff, I. – *Strategic Management*, Publishing House Economic, Bucharest, 2001, pg. 132]

a. Market penetration – through organizing events, the company tries to attract new customers and organizations and retain their loyal customers

b. Development of services - introducing new types of events on the existing market, which may be new to the market, such as the use of new communication technologies for a conference

c. Market development – the current events are organized inside new markets

d. Business diversification - offering new events, inside new markets, a strategy that is adopted by few companies, given the high degree of failure in this case, and also the reluctance of both organizations and participants

Development alternatives, that the organization may consider, are detailed in more specialized literature and take into account other variables, however it is actually a more detailed Ansoff's matrix in table 2. [2] In this manner, the strategies of an organization, that communicates through events, can be analyzed, and depend on the strategies used, thus they develop certain events. Of course, it is appropriate to use events as a means of communication in an orderly manner, both for those representing communication through events and those that target the external and internal environment.

Thus, depending on the quadrant in which lie the organization's offered products, we can use different types of events, but this does not exclude the possibility of the company to turn to other types of events if it believes that its marketing goals will be achieved.

- For penetration strategies, given the current market and product, we may have recourse to fairs and exhibitions where to display products and highlight the benefits they provide to potential customers in comparison to the competitors' products; and, for the employees we can use trainings, team buildings and happy hours;

- For market development strategies, the types of events that can be used, taking into account that there are current products for the company and new markets, we can use: participation in fairs and exhibitions, sponsoring, seminars and even workshops. And for employees, we can carry out trainings, team buildings, happy hours and also seminars for those working in the sales department;

Table 2 Alternatives of the market strategy based on its growth vector

	Current	Improvements in current(existing) products	New products produced by similar technologies		New products produced by different technologies
			New types of products	New product lines	
Markets					
Current	Market penetration	Reformulation	Replacement	Expanding product line	Horizontal diversification
New	Market development	Market expansion	Product differentiation and market segmentation	Concentric diversification	Lateral (Conglomerate) diversification

Source: Belau V, Cătoi I, Veghes C. - *Marketing Turistic*, Publishing House Uranus, Bucharest, 2005, pg. 257

- For product development strategies, because the product is new, you can organize conferences, seminars, product launches, workshops for prospective customers, participation in fairs and exhibitions; but, since they have some seasonality, it is likely that the launch of the product on the market will not coincide with the fair, exhibition. For

company employees - trainings, team buildings, happy hours, seminars, as well as events along with the launch of the new product;

- Strategies for diversification - in this case, there will be a concentrated effort and the number of events, that address the internal and external environment, will increase exponentially, given that it is a new product on a new market. We can use all of the above event possibilities, and in addition to these, we can add, traveling shows, open days and product launches. For employee, the emphasis will be put on seminars and events along with the launch of the new product;

No events, such as the General Assembly of shareholders, have been mentioned, because joint stock companies are forced by law to hold this meeting at least once a year. Moreover, there are the religious holidays which depend upon the policies and budget of each organization.

C. Budget planning

For communication through events, regardless of whom they are addressed, the objective is to determine the minimum budget needed so as to achieve the marketing proposed targets. We should also consider the distinction between the events of some organizations that are produced by other companies, and events that the company itself organizes, using only providers of various services and products for optimal deployment of the event. [5]

In practice, often low efficiency of some marketing activities is mainly caused by a complicated system of resource allocation of the budget action.[13] The budget for an event must be very flexible, processes are very complex and often take place at maximum speed. All these are also imposed by the external environment, which is very much in connection with the event. Within the organization, many marketing processes are initiated and carried out in response to threats or to opportunities, any delays having hard repercussions. The correct solution of such situations is possible by using the budget management system of events, whose existence and design is another compulsory requirement for the development of most marketing processes.

In practice, often initiating marketing activities cannot be done promptly and with high efficiency without the existence, in advance, of planned and allocated budgets for such operations because they are designed, usually, based on the principle "everything the company can afford ", any other alternative being especially costly. The problem is simplified when used as a system of budget allocation, a share of its profits or sales, the same amount of money that the competition uses, the turnover as the marketing literature recommends. [16]

When planning an event, it is good for the budget to be presented based on costs, so there is an overview of the items that can be purchased without exceeding the budget. Monitoring the costs gives the opportunity to use alternative options if the budget for the event is exceeded. [6]

It is good that all the costs involved in the event should be recorded, without forgetting any detail. Prices should be communicated in writing or in electronic format because when spoken, some things may be misinterpreted and thus, the message may not be perceived accordingly.

Each event requires different expenses, that is why you cannot use a formula, or a fixed format when setting a budget. Costs should be reviewed, as you get estimates or actual costs. Suppliers, usually provide information on prices.

It is necessary, in designing the event, to take into account as many suppliers as possible, their prices and tariffs on the products / services they offer. [14] The event may also generate profit, in the form of: event sponsorships, sale of promotional products, ticketing fee for participation, contributions, etc. .. Expenditure on an event is divided into three categories [9]:

1. Fixed costs - costs that are not dependent on sales or profits and cannot be influenced by the number of participants. These costs include: audio-visual equipment, speakers, security and insurance costs, promo costs, location costs, staff salaries, translators, entertainment and transport.

2. Variable costs - are costs that fluctuate depending on the number of participants. They can be calculated as costs per person. They can be listed as: accommodation, communication, food, gifts, brochures,

invitations, special menus, badges, photographs, cameras, promotional materials, fees, transportation, security (growing proportionally with the number of participants), and salaries for employees etc.

3. Indirect costs - are related to administrative costs, salaries of employees of the organization that conducted the event and the equipment used for the event.

Regarding the costs with the location of the event, they can be of two kinds [12]:

- Direct Costs - are costs paid to the owners of the location where the event will take place. They include costs for rent, meals and other services. It is not unusual for a location to overcharge for cleaning: removal of confetti, balloons and other decorations left after the event. Some administrators do not allow their use at all. It is good for all costs to be stipulated in the contract. It is usual for managers to have a place of exclusive or preferential contracts with suppliers of audio visual equipment, catering, etc.. This can raise the cost of such services above the market rates.

- Indirect costs - are paid to other suppliers or another third party and are necessary for the smooth running of the event, or because various provisions of regulations imply it, such as those regarding the obligation to ensure security and protection services, fire rescue, etc.. [15] Municipalities require a fee to obtain special permits for the event to be held under maximum security conditions for both organizers and participants.

We can also calculate the break-even point (if this is a profit making event) to see how many participants are needed in order to overcome it. If the break-even point is not achieved, we must consider the following alternatives: increase the number of participants, raise the fee, request for sponsorship, or reduce spending, although this may have a negative effect on the event. Not all types of events generate profits, such as events that are addressed to the internal environment of the organization. [11]

The list of costs involved in an event must include even the most seemingly insignificant or unimportant elements, such as whether the service charge which will be granted for waiters, will be of 8% or 10% of the total bill, or a fixed amount.[1] At the end of the event it is good to see which were the

actual costs, since managers of locations can charge fees for consumed electricity, water and other utilities.

The budget must be constantly updated, reviewed, numbered and stored in separate files for post-event analysis. This allows last-minute charges, which often appear and were not initially foreseen. [9] Knowing the financial situation allows you to offer additional gifts to participants or have an open bar.

Before the bills are paid, it is good to see if they correspond with the numbers and amounts stated in the contracts and if there are differences between the figure on your list and the invoice received. Regarding the signing of contracts, it is a good idea to make a table with certain dates, when the bills are paid, in case you need to negotiate these dates or delay the payment due to lack of funds or cash. This table of bills will be made in accordance with the list of costs, with changes in the number of items or services required for the event, or the number of participants.

Companies deploying events for other organizations, have not only to practise the lowest price, but also come with innovative strategies and policies to realize and promote the event, by choosing the appropriate channels to reach the potential audience for it, offering an integrated event service, with feedback of the event from the audience and, of course, media coverage of the event through the mass communication channels.

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The Training Needs of Public Servants. The Role of the National Agency of Public Servants (NAPS) in Planning Professional Training and Development Programmes

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Abstract

The present paper focuses on the present trends in the training and development programmes of public administration employees and on the methods used to assess the training needs for public servants in relation to the recorded performance indicators and to the strategic objectives of the public administration entities. The scientific research methodology of the present paper relies on national and international professional literature, on the analysis of concepts, theories, typologies, methods and instruments used in identifying the training needs of the staff employed in professional organisations. The empirical research focuses on the planning of professional training in relation to the training needs of public servants and makes use of synectics methodology and comparative statistical methods, graphs and dynamics.

Key words: human resource, training needs, professional training, public servants, NAPS, local/central governing structures.

J.E.L. classification: H83, O15

1. Introduction

According to the most recent strategies, the EU is highly focused on lifelong training programmes, as part of the social policies for the "Europe 2020" strategy. The standpoints of several European institutions whose activity is related to this specific field convene on the strategic goal "of contributing through lifelong learning to the development of the European Union as a knowledge-based society, with a sustainable economic growth, with more and better jobs and greater social cohesion and also focusing on protecting the environment for the

welfare of future generations" [1].

The lifelong training of human resources performing in the central and local governing structures, with the specific goal of enhancing professional performance, has been a highly debated topic of the *Romanian Government's Programme 2009-2012*.

Our belief is that both the development of the organisation and the enhanced professional performance of the employees depend on the training and the feedback conveyed by the trainees upon completing a professional training programme. A very efficient method of bridging the gap between the suggested and the reached target consists in the involvement of employees in lifelong training programmes at the workplace or in specific training programmes with external funding, either individually, as employees of the public entity (beyond the organisational strategy and operative planning), or by the public organisation as a whole, with the aim of relating the professional training of the employees with the specific objectives of the organisation.

If we contemplate the current progress of science and technology and the critical economic-social situation, the constant changes in expectations and needs of the individuals as part of a local or central community, we conclude that it is genuinely necessary for public servants to undergo a systematic process of improving their knowledge, their behaviour and motivation in order to re-establish the balance between their underlying characteristics and the requirements of public service duties[2]. If we adopt this viewpoint on the professional training and development required in public organisations, we would also share the opinion of Michael Armstrong [3], according to whom, training needs to have a purpose, and this purpose can only be set if the learning needs of the organisation, of the

groups and of the individual employees within these organisations are systematically identified and analysed.

Given the specific context of the above mentioned circumstances, our goal is to identify the present training trends in public administration, as well as the methods used to assess the training needs for public servants in relation to the recorded performance indicators and to the strategic objectives of the public administration entities.

The scientific research methodology of the present paper relies on national and international professional literature, on the analysis of concepts, theories, typologies, methods and instruments used in identifying the training needs of the staff employed in professional organisations.

The empirical research focuses on the planning of professional training in relation to the training needs of public servants and makes use of synectics methodology and comparative statistical methods, graphs and dynamics.

2. Training needs assessment from an organisational perspective

2.1. General reference points on the training needs assessment on an organisational level

The training needs assessment is a method used to determine whether there is a need for training and, if so, identify the type of training required in order to make up for the lack of training/development [4], depending on the goals and needs of the organisation and the specific sector it operates in.

The purpose of a training needs assessment is to prevent a hasty approach of the human and organisational development issues.

The proper identification of the training needs is carried out by collecting and analysing the answers to such questions as, [5], [6]:

- What are the objectives of the organisation?
- What are the tasks to be performed in order to reach those goals and objectives?
- What kind of competencies should each employee possess in order to carry out those tasks?
- What knowledge, skills or competencies do employees lack (if identified) in order to perform the expected duties?
- What other organisational factors or other characteristics/actions/inactions of the

employees prevent the organisation from reaching the targeted performance indicators?

These questions also reflect on the planning of the human resource, on the recruitment and selection of the staff, and thus emphasize the correlation among all these procedures related to the management of human resources. The answer to the above mentioned questions will enable the identification of the purpose and specific performance requirements. If the actual need for training prevails, we believe to have also identified the need for a training initiative in order to diminish/remove the deficiencies [7].

The human resource planning objectives are actually the starting point for the training need assessment. The gaps between what is currently in place and what is needed, the overall performance, the individual performance of each employee or other factors influencing these can contribute to the identification of the training objectives under the following two circumstances:

(1) the identified needs should be significant enough to be considered on an organisational level

and

(2) the need has to be rectifiable through training.

Therefore, training is not a cure. What often seems to be a training need at first, may be rectifiable through a different approach, activities or methods.

Sometimes, the actual training programme is specifically designed at the request of a manager, without taking into account the fact that the personnel's training programmes must be planned and organised based on the training need assessment.[8]

Consequently, we share the opinion according to which [9] the training need assessment process is a very complex procedure that comprises three stages, as follows:

1. collecting the information;
2. analysing the collected information;
3. designing the professional training and development programme.

Professional literature [10] recommends that the detailed analysis of the training needs should rely on such methods as:

- Mission statements, human resource strategic plans;
- Job description;
- Learning or training needs;

- Performance evaluation;
- Training needs assessment.

Once the needs assessment is completed and the training objectives identified, the design phase of the training programme is initiated.

2.2. The training needs assessment procedure for the public servants of the local and central governing structures

Public administration structures are presently complying with a regulatory and institutional framework of professional training for public servants, meant to provide an integrated set of standards that apply to the training of public servants. In this respect, the National Agency of Public Servants (NAPS) has designed the specific regulatory framework and supported the implementation of the lifelong professional training policies, along with the control and assessment procedures related to these policies.

The following paragraphs outline the main juridical standards that govern the professional training of public servants:

- Law no. 188/1999 on the Statute of Public Servants, altered and revised up to date, is the general legal framework of the civil service and public servants, with extensive provisions on the professional training of public servants;

- Government Decree no. 1066/2008, for the adoption of the standards regulating the professional training of public servants;

- The Ordinance of the NAPS Chairman no. 13601/2008 for the adoption of the terms and standard procedures used for conveying the information about the annual professional training plan and the funds allocated for the training of public servants;

- The Ordinance of the NAPS Chairman no. 1233/2009, establishing the priority training programmes organised for public servants employed in management and control positions, as well as specific public offices associated with these;

- Government Decree no. 1000/2006 on the organisation and activity of the National Agency of Public Servants;

- Government Decree no. 611/2008 setting the regulations for the organisation and development of the public servant career, with the subsequent alterations and amendments.

Apart from the juridical framework that regulates the specific expertise of public servants, the training needs assessment

procedure applied by the Human Resource Department of public organisations must also include criteria related to: the changes in the organisational structure; the changes in job description; the demands of the public servants performing in the department; the individual performance in relation to performance objectives measured for the previous year; the "technical" progress in the field; and last but not least, the reform of the public service, outlining certain issues, such as: [11]:

- Conducting an analysis of the number of employees who have completed the training programme and the prospective target groups (with different training needs) to be identified;

- Establishing the training strategy and programme, as well as whether to initiate the training procedure directly or to identify and prepare internal instructors;

- Selecting the materials to be used in the training programme;

- Prepare the assessment of the training sessions;

- Organise seminars with the national officials of the NAPS or other international officials of the EU or other similar organisations.

The identification and analysis of the training needs also calls for the allocation of a priority level, established by the head of the department (maximum, average, minimum), associated with each field of professional training that has been identified based on the criteria mentioned above.

The identification and analysis of the training needs also calls for the assignment of a priority level (timeliness: maximum, average and minimum), established by the head of the department and associated with each field of professional training that has been identified based on the criteria mentioned above.

The need to prioritize the training mainly derives from the needs of the system, established in the strategic objectives of the organisation, as well as from the mandatory training of public servants in the specific fields that support the implementation of the public administration reform or provide the competencies and skills to access and manage structural funds.

The training manager has to focus on two specific elements when addressing the specific professional training of public servants [12]:

a) on the *professional training fields* that provide training programmes to be completed at the initiative or for the authority or the public organisation, based on the job description tasks that have been identified as necessary for individual performance evaluation and are listed in the annual training plan developed and in compliance with the law. Training also covers those competencies that have been identified after the occurrence of certain changes in the legislative or institutional framework and whose funding is entirely covered from the budget of the authority or the public institution;

b) on the *priority training fields*, established by the Ordinance of the NAPS Chairman no. 1233/2009, and listing the national training priorities for public servants in management and control positions, identified in relation to the government’s strategic planning and to the general priorities identified in the reports of the local and central governments for the year 2009.

3. Lifelong training assessment and training needs of public servants employed in Romanian governing structures in the year 2010 as outlined to NAPS

The presentation of the main methodological elements used in the training needs assessment for public servants employed in local and central governing structures must be followed by a detailed outline of the training needs that have been reported to NAPS in the reference year 2010.

Figure no. 1. Percentage illustration of the professional training and development fields for the public servants employed in central governing structures [13]

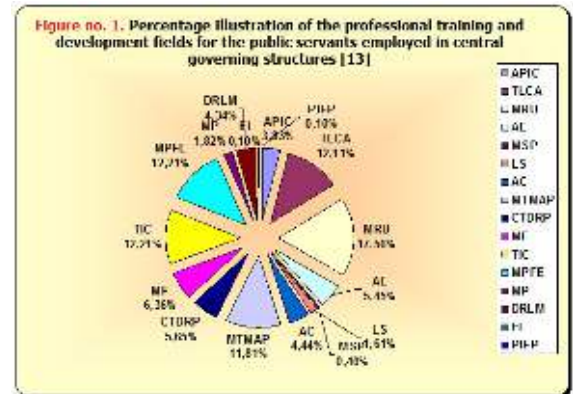


Figure no. 2. Percentage illustration of the professional training and development fields for the public servants employed in local governing structures [13]



Following the collection of the data and information available on the professional training and development of public servants, the options expressed by the representatives of the central and local governing structures for the year 2010 have addressed the following fields of professional training: economic, juridical, engineering and political sciences, humanities and, last but not least, natural sciences.

We will continue our endeavour with an analysis of the needs and the fields of interest, by taking into account the lack of competencies recorded at a local and central governing level [13].

Therefore, we found that the field of economics accounts for the largest part of the needs and training requirements, with a percentage of 52,07% at the level of central governing structures (*The general management of projects, European funds and structural funds – 12,21%, Financial management –*

6,36%, *Public and strategic management* – 0,40%, *Performance management* – 1,82%, *Human resource management: the management of the public service and public servants* – 17,56%, *Internal public audit, control, examination* – 4,44%, *Public acquisitions, investments and concessions* – 3,83%, *European affairs and policies* – 5,45) and 40% at the level of local governing structures (*The general management of projects, European funds and structural funds* – 7%, *Financial management* – 13%, *Public and strategic management* – 2%, *Performance management* – 2%, *Human resource management: the management of the public service and public servants* – 7%, *Internal public audit, control, examination* – 1 %, *Public acquisitions, investments and concessions* – 6%, *Economics and marketing* - 2%).

In economics, both the local and central governing structures have addressed the need for training in the secondary field of *Management* (38,35% and 31%, respectively), followed, at a considerable difference by *European affairs and policies* (5,45%) at the central governing level and *Public acquisitions, investments and concessions* (6%) at the local governing level. Thus, we identify the concern of public servants employed in central governing structures with the subject of *European trends and policies*, while the public servants employed in local governing structures who deal with the interpretation and enforcement of regulations are mainly concerned with *public acquisitions, concessions and investments*. This is mainly due to the fact that the tasks performed by the two categories of public servants employed at different administrative levels differ and so do the needs of the respective communities.

Apart from the field of economics, central governing structures have expressed the need for training and development in the area of social and political sciences (*Modern methods and techniques of boosting the efficiency of public administration* 11,81%, *Communication, Public relations and decisional transparency* 5,65%, *Ethics and integrity* 0,10%), closely followed by engineering sciences (*Information technologies* 12,21%) and juridical sciences (*Legislative techniques and administrative contentious proceedings* 12,11%). The training and development needs at the level of local governing structures amounted to a 40%

interest in the field of social and political sciences (*Modern method and techniques of boosting the efficiency of public administration* 9%, *Ethics and integrity* 2%, *Communication, Public relations and decisional transparency* 9,9%, *Public services* 13%, *Local community police* 6%, *Documents and archives* 0,1%), thus amounting to the same levels as economy-related subjects.

The opposite is the case of humanities (*Foreign languages*), with a very low, almost insignificant level of 1,61% in central governing structures and 0,1% in local public administration structures.

4. Conclusions

As far as we're concerned, we highly appreciate the strategic role played by NAPS in managing the professional training and development policies of public servants. The training needs of the contract personnel are still managed by the public institutions or by each individual employee, the latter being one of the least desirable situations. We agree with the views expressed by the National Agency of Public Servants, whose data reflects the low interest of the respondents, as the information provided by the local government structures is very scarce in relation to the total number of main credit release authorities of the local public administration structures.

This particular situation may also be determined by the deadline set for transmitting the data to the Agency (the first half of the year), even though the agency has continued to collect the information after the fixed deadline, mainly because of the delayed approval of the local budgets.

When referring to the training fields identified by the public servants as relevant for their training needs, even though the training needs planning has been performed after the assessment of each individual's performance, the relevant weight of the management sub-domain leads us to believe that the public servants in management positions are highly interested in their training and development, and this particular training need may often be identified on the labour market. The weight of management training and development need of 38,35% and 31%, respectively, makes one wonder whether the executive personnel is provided equal opportunities to plan their lifelong training and development needs and if

the training needs assessment in relation to the individual performance of each employee is accurately mirrored in the planning of professional training and development.

5. Acknowledgment

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Fundamental Theories on Consumer Behaviour: An Overview of the Influences Impacting Consumer Behaviour

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Abstract

Consumer behaviour is a component of the economic behaviour, which in its turn is a manifestation of human behaviour. As a consequence of the social and economic development of modern societies, the study of consumer behaviour has undergone a strong development process, during the past years consumer behaviour acquiring its own status among sciences. However scientists concern with the study of consumer behaviour covers a time span of many decades. Due to the multiple interdependences and parameters emerged from the coalescence among consumer behaviour, economic and human behaviour in general, there have been several approaches related to consumer behaviour concretized in fundamental theories and models, such as the Marshallian economic model, the Pavlovian learning model, the Veblenian social-psychological model or the Freudian psychoanalytical model. These theories and models of consumer behaviour have been developed at different moments in time and bear the peculiarities of the era; they are rather episodic than systemic approaches. This paper aims at discussing the most important influences impacting consumer behaviour as presented in the four fundamental theories mentioned above.

Key words: consumer behaviour, influences, economic man, irrational consumer, fundamental theories

J.E.L. classification: B13, N30, M31

1. Introduction

As a direct consequence of the social and economical dynamic development, the study of consumer behaviour has experienced a

remarkable evolution during the past years. However, scientists' preoccupations for the study of consumer behaviour may be traced back to the work of economists in the 19th century and the beginning of the 20th century, such as Hermann Heinrich Gossen or Carl Menger. Subsequently, beside economics, consumer behaviour was the object of other behavioural sciences – sociology, psychology or anthropology.

As a result of preoccupations of scientists from different domains, fundamental theories in the field of consumer behaviour emerged. These include the Marshallian economic model, the Pavlovian learning model, the Veblenian social-psychological model and the Freudian psychoanalytical model. However, these theories developed at different moments in time do not benefit from the advantages of a systemic approach. Later developments in the study of consumer behaviour enriched the field by bringing an integrated approach, thus adding value to the discipline and the fundamental theories these subsequent theories and models were built upon.

The focus of this paper is to discuss the influences on consumer behaviour as they were considered in the fundamental theories mentioned above. Consumer behaviour in a large context is viewed as a subset of human behaviour therefore factors influencing people's daily lives also influence their behaviour as consumers [3]. Under these circumstances it is understandable that consumer behaviour represents the object of interest for scientists in different areas of the behavioural sciences, each of these sciences focusing on their appropriate intrinsic processes and factors shaping consumer behaviour.

2. Landmarks in the Study of Consumer Behaviour

The foundation of consumer behaviour research lies in the work of economists, who starting with the 19th century, provided the basis for consumer behaviour research development. Economists regarded consumers as rational beings, trying to attain specific predetermined goals, at the lowest costs possible. Hermann Heinrich Gossen considered that "each man endeavours to make his life as full of pleasure as possible" [6], thus proclaiming the principle of parsimony that is people look to satisfy their needs at the lowest expense. Further more, Gossen asserts that "men behave according to the principle of parsimony, hence in a completely predictable way" which opens the possibility for calculating human actions [6].

Following Gossen's rationale Carl Menger appreciates that any rational man would allocate their income to different types of expenses so that they obtain equal satisfaction for equally intense needs. Therefore the individuals tend to optimize their resources allocation so that may obtain at any time the greatest total usefulness, within the limits of their resources.

A synthesis of economic theories on consumer behaviour was achieved by Alfred Marshall, based on the ideas of classical economists and the advocates of the theory of marginal utility. As a need is being satisfied through consumption the additional benefit derived from a given increase diminishes with every increase.

The model however does not comprise the diversity of factors influencing consumer behaviour and cannot be used to explain real life situations; its value resides in explaining the processes and mechanism of consumer behaviour, taking into account the economic factors.

Other factors such as attitude, perception, motivation, learning, personality, and culture, ignored by the economic model are subject to psychologists and sociologists interest in the field of consumer behaviour.

Significant in this respect is Copeland's theory of characteristics of goods (1923), which suggests that one could classify all products into three categories – convenience, shopping or speciality goods. This relates to factors of influence on consumer behaviour

such as extent of information search and levels of perceived risk [1]. However, Copeland's product classification has a number of deficiencies, such as the subjectiveness of the assignment of products to particular categories and the unrealistic division of consumer goods into three discrete categories without considering the differences between products. [5]

The theory of learning developed based on the research of Ivan Pavlov introduces the concept according to which the human behaviour is the result of a learning process.

Of great importance to consumer behaviour research development is considered to be the contribution of the psychoanalytical theory of Sigmund Freud. His model had a strong impact on the 20th century thought, Freud rejecting the idea that man dominates its own psyche. It assumes that the psychological factors affecting and influencing the behaviour are mostly unconscious, people rarely being able to fully grasp their motivations.

Ernest Dichter, a Freudian psychoanalyst, shortly after the World War II applied psychoanalytical concepts to consumer behaviour research in an approach referred to as motivation research. In this approach he used in-depth interviewing techniques to bring to light an individual's hidden or unconscious motivations [2].

Due to critiques related mainly to the subjectiveness of this approach, it was abandoned in the '60s, after leaving two main legacies in the field of consumer behaviour research – the focus on consumer motivations and the technique of in-depth interviewing [2].

The social and cultural influences on consumer behaviour are addressed to by the social-psychological model proposed by Thorstein Veblen. In this approach the behaviour is considered to be a result of social pressures exerted in the individual's quest to fit within the desired social group.

During the 1950's, the research on consumer behaviour started to focus on the behaviour of the consumer rather than following a macroeconomic orientation. In this context Abraham Maslow developed his hierarchy of needs and formulated his widely accepted theory of human motivation.

In the 1960's and the 1970's several of the best-known models in consumer behaviour emerged: the model developed by Howard (1963), the Nicosia model (1966), the Howard-Sheth model (1969), and the Engel, Kollat and Blackwell model (1968). However, the popularity of consumer behaviour model building decreased in the 1980's.

These models are still used as a superstructure for the research in the field despite the criticism received by the traditional models. At present, a focus on emotional and situational factors in the study of consumer behaviour is obvious.

3. The Economic Man and the Irrational Consumer

Following in the footsteps of Adam Smith and Jeremy Bentham, Alfred Marshall accomplishes a synthesis of economic theories on consumer behaviour starting from the concept of marginal utility. In his model, Alfred Marshall, advocates the theory of marginal utility, that is as a need is being satisfied through consumption the additional benefit derived from a given increase diminishes with every increase.

The law assumes that no changes would occur in the consumers' character or tastes, "we do not supposed time to be allowed for any alteration in the character or tastes of the man himself" [4]. Therefore, assuming that the man has not changed, although the observations are made over time, then marginal utility "diminishes steadily with every increase in his supply of it". [4]

The model observes the effect of only one variable - the price - on consumer behaviour assuming all other factors remain unmodified. In his famous tea example, he demonstrates that demand depends solely on price, as long as other variables such as price of competing products, tastes, preferences and variety of existing goods remain constant.

Marshall refers further to the utility that induces the buying behaviour function of consumer income. The marginal utility of money is perceived differently by consumers with different levels of income - "the richer a man becomes the less is the marginal utility of money to him"[4]; therefore, an increase / decrease in income increases / decreases the

price a consumer is willing to pay for a given benefit.

In this model all men are considered to be rational buyers and the market is viewed as a collection of homogenous buyers. It is considered that buyers behave in a similar manner under given circumstances and their ultimate goal is to maximize the value obtained for the money spent.

Although the model leaves out a large diversity of factors which impact consumer behaviour, it takes into account the economic factors thus explaining the mechanisms of consumer behaviour and representing a solid basis on which later models were developed.

Unlike their economic counterpart theories the psychological theories consider consumers as irrational, impulsive buyers. The view regarding consumers as being vulnerable and subject to external influences was rather an obvious reaction to the "economic man", whose behaviour is rational and based solely on conscious economic calculations.

The two major psychological theories referred to here are the Pavlovian learning model and the Freudian psychoanalytical model.

The learning theory emerged from the research developed by the Russian psychologist Ivan Pavlov, who subsequently to undertaking experiments and introducing the notion of conditional reflex, concluded that learning is a result of a process of association, which can be used to explain a large component of human behaviour. Further research led to the emergence of a model of human behaviour based on four fundamental factors: drives, cues, response and reinforcement. The model concludes therefore that the consumer's response is based on learning and experience.

The Freudian psychoanalytical model dismisses the idea that man dominates its own psyche, thus assuming that the psychological factors affecting and influencing the behaviour are mostly unconscious.

The model operates with three notions, those of id, ego and superego, each responsible for different behavioural manifestations. The id is the source of instinctual manifestations, urges and drives. The ego is the liaison between the id and the superego which is responsible for

transforming the instinctual manifestations into socially accepted behaviour. The urges are often repressed from the conscious by denial or by their transformation in socially accepted expressions, but they cannot be completely eliminated or controlled and may emerge taking the form of different kinds of manifestations. Explaining consumer behaviour according to this theory requires therefore an in-depth analysis that leads to the unveiling of symbols and motives behind the buying decision.

Further refinement of the model includes the approach according to which consumer behaviour is based on mechanisms that explain the process according to biological and cultural elements.

In the social-psychological model proposed by Thorstein Veblen social and cultural factors are considered as main influences on consumer behaviour. The social pressure on individuals ingrains certain behaviour.

Behaviour is therefore subject to the influence of levels of society, culture, sub-cultures, social classes, reference groups and family and consumption is viewed as a way to gain and signal social status –“since the consumption of these more excellent goods is an evidence of wealth, it becomes honorific; and conversely, the failure to consume in due quantity and quality becomes a mark of inferiority and demerit” [7].

In his theory of conspicuous consumption, Veblen considered that consumption of goods and services is motivated both by primary and secondary purposes. The primary purpose resides in consumption that serves human life or human well-being, while the secondary refers to the social confirmation brought about by consumption. The consumption that does not serve “human life or human well-being on the whole” is considered “waste”, though not in a deprecatory sense because it does have utility for the individual consumer. Further more, Veblen admits that it is highly improbable for goods to exhibit only one type of utility – “it would be hazardous to assert that a useful purpose is ever absent from the utility of any article or any service, however obviously its prime purpose and chief element is conspicuous waste; and it would be only less hazardous to assert of any primarily useful product that the element of waste is in no

way concerned in its value, immediately or remotely” [7].

Veblen asserts that preferences are determined socially, the individual relating himself to other individuals positioned in the social hierarchy. Moreover, individuals strive to imitate the behaviour of others holding a better position in society, the lower class following in the consumption patterns of the upper class.

4. Conclusions

The economic models of consumer behaviour consider in their simplest form that consumer behaviour is influenced solely by price, information, and available budget thus the consumer is rational and his behaviour is the result of conscious economic calculations.

However, considering that consumer behaviour is a part of the economic behaviour which is in its turn an intrinsic part of the human behaviour it is only natural to accept that psychological factors impact choice as well. In opposition to their economic counterpart theories on consumer behaviour, the main psychological theories discussed above bring to attention the psychological processes behind the purchase decision.

The creation of the fundamental theories and models presented in this paper was independent that is they have been developed at different moments in time and bear the peculiarities of the era; moreover the authors have considered only the perspective and instruments of a scientific domain without taking into account the interdependencies and correlations needed to explain human behaviour.

Although they may be considered as episodic rather than systemic approaches to consumer behaviour they represent the solid foundation subsequent theories and models have been developed on thus guiding the evolution of the field to the current state of art.

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Tendencies Shaping Consumer Behaviour in the Present Context

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Abstract

Due to the multiple interdependences and parameters emerged from the coalescence among consumer behaviour, economic and human behaviour in general, there is a vast interest in the study of consumer behaviour, and not just in the field of economic sciences. As a direct consequence of the social and economic development of modern societies, the study of consumer behaviour has undergone an important development process and is permanently enriched with new contributions. At present, consumer behaviour is interpreted not solely through the act of buying, but also as far as its impact on our lives, on the way we perceive our own image and ultimately on our state of being is concerned. The current context shaped by the economic crisis is remodelling mentalities and re-lays the foundation for a new conceptual model of determinants of consumer behaviour. This paper aims therefore at presenting the current frame of consumer behaviour manifestation and the main influences considered to have an impact on consumer behaviour during the historical development of the field. Further, it aims at presenting several tendencies in consumer behaviour determined by the present context.

Key words: consumer behaviour, economic crisis, influences, impact, new consumer

J.E.L. classification: M31, N30

1. Introduction

The global economic crisis has affected the world economy and its effects are visible and undeniable - the rising unemployment, the increase of inflation, the decrease of purchase power. These are realities faced everyday by consumers almost in all markets over the world.

Moreover, the constant mediatization of the present economic context boosts the emotional impact of the crisis effects on consumers' lives and projects a state of uncertainty.

The economic crisis has impacted consumer behaviour determining consumers to become more economical, more attentive, and to weigh more carefully their options. But more importantly, the direct and indirect effects of crisis have caused an augmentation of the psychological pressure felt by consumers, with strong impact on their buying behaviour. The most obvious consequences of this increased pressure include: the general reduction of spending, the postponement of high value purchases or the decrease in consumption of leisure and entertainment goods. Impulse buying becomes subject to control and the tendency for indulgence purchases is reduced.

This paper will first present the historical development of the field with a focus on the most relevant theories and the factors influencing and shaping consumer behaviour as considered in those theories, will then summarize the main features of modern consumers, and finally will present a perspective on actual and potential changes and transformations in consumer behaviour moulded by the present economic and social context, based on international studies conducted during the recession.

2. Consumer Behaviour and the Long Way from Marshall's “Economic Man” to the 20th Century Consumerism

The foundation of consumer behaviour research lies in the work of economists, who starting with the 19th century, provided the basis for consumer behaviour research development. Economists regarded consumers as rational beings, trying to attain specific predetermined goals, at the lowest

costs possible. Hermann Heinrich Gossen considered that "each man endeavours to make his life as full of pleasure as possible" [5], thus proclaiming the principle of parsimony that is people look to satisfy their needs at the lowest expense. Further more, Gossen asserts that "men behave according to the principle of parsimony, hence in a completely predictable way" which opens the possibility for calculating human actions [5].

Following Gossen's rationale Carl Menger appreciates that any rational man would allocate their income to different types of expenses so that they obtain equal satisfaction for equally intense needs. Therefore the individual tends to optimize their resources allocation so that may obtain at any time the greatest total usefulness, within the limits of their resources.

A synthesis of economic theories on consumer behaviour was achieved by Alfred Marshall, based on the ideas of classical economists and the advocates of the theory of marginal utility. As a need is being satisfied through consumption the additional benefit derived from a given increase diminishes with every increase.

In this model all men are considered to be rational buyers and the market is viewed as a collection of homogenous buyers. It is considered that buyers behave in a similar manner under given circumstances and their ultimate goal is to maximize the value obtained for the money spent.

The model however does not comprise the diversity of factors influencing consumer behaviour and cannot be used to explain real life situations; its value resides in explaining the processes and mechanism of consumer behaviour, taking into account the economic factors.

Other factors such as attitude, perception, motivation, learning, personality, and culture, ignored by the economic model are subject to psychologists and sociologists interest in the field of consumer behaviour. Unlike their economic counterpart theories the psychological theories consider consumers as irrational, impulsive buyers. The view regarding consumers as being vulnerable and subject to external influences was rather an obvious reaction to the "economic man", whose behaviour is rational and based solely on conscious economic calculations.

The theory of learning developed based on the research of Ivan Pavlov introduces the concept according to which the human behaviour is the result of a learning process.

The psychoanalytical theory of Sigmund Freud rejected the idea that man dominates its own psyche. It assumes that the psychological factors affecting and influencing the behaviour are mostly unconscious, people rarely being able to fully grasp their motivations.

Ernest Dichter, a Freudian psychoanalyst shortly after the World War II applied psychoanalytical concepts to consumer behaviour research in an approach referred to as motivation research. In this approach he used in depth interviewing techniques to bring to light an individual's hidden or unconscious motivations. [3]

Due to critiques related mainly to the subjectiveness of this approach, was abandoned in the '60s, after leaving two main legacies in the field of consumer behaviour research – the focus on consumer motivations and the technique of in-depth interviewing [3].

The social and cultural influences on consumer behaviour are addressed to by the social-psychological model proposed by Thorstein Veblen. In this approach the behaviour is considered to be a result of social pressures exerted in the individual's quest to fit within the desired social group.

During the 1950's, the research on consumer behaviour started to focus on the behaviour of the consumer rather than following a macroeconomic orientation. In this context Abraham Maslow developed his hierarchy of needs and formulated his widely accepted theory of human motivation.

The following years were characterized by consumerism, generated by individuals' desire to improve their social condition by possession and consumption of goods. However, it did not succeed in making people happier; the so-called "paradox of happiness" standing as proof. Studies have shown that substantial increases in real per capita income do not correspond to equivalent increases of individual happiness. Moreover, negative correlation between real income and happiness were observed. [1]

3. Consumer Behaviour and the "Paradox of Choice"

The last decade alone has brought about enormous and unprecedented developments in technology that improved communication and the possibility to connect with each other. In this context, perhaps the most important recent developments in consumer behaviour include the movement toward a global consumer culture and the digital revolution [7].

At the moment, consumer behaviour surpasses the act of buying, extending to having and being, according to Solomon, et.al. (2010). This view supports the idea that the study of consumer behaviour goes beyond the act of buying to the study of how having or on the contrary not having affects our lives and ultimately our image of ourselves and our state of being.

The last decades have brought about also a paradoxical situation - the consumers are facing the difficult task of searching and choosing the product that best suites their needs among a huge diversity of products.

At a first glance, the diversity of products giving each of us a great freedom of choice is a positive aspect of our everyday lives. However, the increased opportunities for choice doubled by consumers' legitimate desire to obtain the best out of every situation may lead to a decrease in well-being. One of the factors leading to a decrease in well-being is regret – a person does not feel regret following a decision if they feel they made the best choice; but the more options they have, the more probable is to experience regret. [6] The increased number of opportunities leads also to a higher opportunity cost perceived by the consumer and to a rise in people's expectations [6], transforming them in ever more demanding consumers harder to be satisfied and more importantly, harder to feel satisfied.

We may assert that consumer behaviour is structurally and continuously changing due to the social and economic dynamism characterizing modern society, with people seeking to attain emotional content through more meaningful, more lasting experiences that offer deeper satisfaction.

4. A Perspective on Transformations in Consumer Behaviour in the Present Context – The New Consumers

The financial crisis has impacted consumer behaviour determining consumers to become more economical, more attentive, and to weigh more carefully their options. The crisis is providing the frame for the emergence and development of new types of consumers, more considered and more rational.

The global crisis has affected the world economy and effects such as the rising unemployment, the increase of inflation, the decrease of purchase power have determined an augmentation of the level of anxiety perceived by consumers, leading to a reconsideration of their priorities concretized in the general reduction of spending, the postponement of high value purchases or the decrease in consumption of leisure and entertainment goods, and the decrease of impulse and indulgence purchases.

The situation is reflected by the results of the Nielsen Global Online Consumer Confidence Survey [10], with the Global Confidence Index declined in the second quarter of 2011 to 89, the lowest level in six quarters. The data for the second quarter of 2011 revealed that consumers have returned to a recessionary mindset, after a year of improving though still cautious spending. The spending intentions declined as well, only 27% (compared to 35% twelve months before) considered the present time as appropriate to buy the things wanted and needed.

Although the present context cannot be characterized as positive, many perceive the recession as an opportunity to chase away their former consumption patterns and embrace instead a more considered approach. These are the new consumers. [9] They have taken the current economic context as a convenience to find a better way forward. As the economic situation becomes more uncertain, it is only natural for consumers to become more rational. The new consumer turned away from overconsumption and mindless excess in order to take a more considered stance to spending. The study concluded that there may be identified four paradigms of the new consumer summarizing

the newly adopted behaviours and attitudes. [9]

The first paradigm, entitled *Embracing Substance* describes the new consumer as satiated with the shopping culture, worried about the superficiality characterizing a society too preoccupied with unimportant and hollow matters. Instead they long to feel more connected with other people and nature, seeking more substance. Modern society has led people to experience a keen isolation, sometimes resulting in feelings of alienation. Consequently they feel the desire to be part of an important cause, to lead a more spiritual life and build a stronger connection with religion or life philosophy.

The second paradigm, *Rightsizing* addresses the pressure put on consumers by the enormous variety of products meant to improve their lives, but instead became exhausting. Bearing in mind the vast diversity of products the consumers have to find their way through and the "paradox of choice" discussed earlier in this paper, it is rather natural to relate to this paradigm. The demand for simplicity may be considered as generated by the current context, although it has been noticed even prior to the recession [2]. The overwhelming diversity adds to the stress felt in periods of recession thus the increasing need for simplicity comes as a natural consequence.

The stupendous diversity of products combined with the bent for accumulating goods that characterized traditional consumers, seems to have fatigued consumers up to the point where they feel the need to return to the simple things. The new consumers are embracing "intelligent simplification", admiring people who live simply and focusing on the functional features of the products.

The third paradigm, *Growing Up*, refers to the phenomenon of the recent decades of generations that do not behave according to their age and rather live a prolonged adolescence, postponing adulthood. However, the recession has bound them to grow, their financial choices becoming the instrument they appeal to in order to take control and accept responsibility for their choices.

The fourth paradigm, *Seeking Purposeful Pleasure*, records the changing of what makes people feel good and satisfied, the

new consumers seeking more purposeful pleasures that last longer and bring more satisfaction.

They are more risk aware, but they assess they have a better control of their lives and welcome the "proactive mindfulness" by shopping more carefully and paying more attention to the environmental and social impact of the products they buy; they manifest their desire and intention to reduce the negative impact on the environment and other people. Their focus surpasses products and reaches the companies that produce them; they have the tendency to relate to companies sharing the same values, practising sustainability and stating a purpose that goes beyond profits.

4. Conclusions

The present economic crisis creates an unprecedented frame as far as its dimensions and severity are concerned. As a direct consequence of the negative impact of the crisis at both economic and social level, the way consumers behave has changed.

We are witnessing a shift from the traditional consumer who pursues shopping with religious dedication to the new consumer who is embracing a more rational and conscious approach. The current context is a turning point which gave people a chance to reflect and take a step into the era of the "mindful spending".

The recession has determined consumers to take a more rational and mature approach to consumption. This has at least two direct consequences - the first is obviously related to price. Consumers are becoming more price-sensitive, and are putting particular emphasis on quality. The second relates to changes in behaviour generated by brand loyalty.

The need for simplicity is a rather obvious reaction to the huge diversity of products that has become overwhelmingly tiring and adding to the stress felt in this context of the recession.

Although the levels of anxiety are high, consumers remain positive considering the recession as an opportunity to turn to substance, to connect with others and finally lead a more spiritual life.

In a world dominated by uncertainty consumers optimism is welcomed – the recession and its effects are perceived not as much as a burden but as an opportunity to find a better way forward.

5. Acknowledgement

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Study Regarding Development of Electronic Commerce in Romania

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Abstract

Over time, trade has undergone profound changes gaining new features and valent forms as a result of trade and technology development. Electronic commerce is the use of value-added in a network applications such as electronic transfer of documents (EDI), the fax communication, bar codes, file transfer and electronic mail.

Key words: trade, development, economics.

J.E.L. classification: L 81

1. Introduction

In concept of Economic Cooperation Organization and Development (OECD) electronic commerce (E - Commerce), represents conducting business via the Internet, sale of goods and services taking place offline or online[1].

Another definition of electronic commerce is given by Robin Mansell: *"Electronic commerce is the use of the network of value-added applications such as electronic transfer of documents to fax communications, bar code, file transfer and email. Tremendous interconnectivity of computers in Internet development in all segments of society, has led to a more obvious trend for companies to use these networks in the area of a new type of commerce, electronic commerce on the Internet, to call - in addition to old services mentioned - new ones."*

It provides benefits both buyer and companies. From the position of the buyer, the benefits are related to: time (buyer can visit multiple shops in a very short time), the freedom to choose (because of the large

stores, the customer will be able to choose a product based on a greater number of options)[2]. In terms of companies using electronic commerce, there are the following advantages: significantly increase the speed of communication, especially for international communications, there is a quick and convenient way of providing information about the company: through Web sites, intranets and extranets, alternative sales channels: doing business through such a site.

2. The beginning of Romanian e-commerce

According to Internet Web Archive, the first online store in Romania was launched in 1997 by PC Net and it was called CyberShop.ro, selling CDs music. Soon after, eShop.ro started, the first store to that introduce the concept of shopping cart.

Meanwhile, appear in businesses online other retailers: Romanian Music Online and AllOnline.ro until on 14 September 2000 launches the first successful store: eMania.ro followed shortly by Rate.ro and MagazinulTău.ro, the latter being launched by retailer Best Computers.

Also during the 2000s, Netbridge Investments company starts OKazii.ro, an online auction site somewhat similar to the famous eBay. In winter holidays in 2001, eMag.ro was launched - currently the largest online store in Romania. We can say that the start of Romanian e-commerce took place in 2000, with the few large projects: eMania, Rate.ro, MagazinulTău, Okazii and eMag.

In terms of e-commerce websites, they were rather informative - "product catalog" type - few are choosing to buy online. Trafic.ro, a monitoring Internet traffic portal,

offered in March 2001 (according to Internet Web Archive) following statistics: OKazii.ro only get 7179 unique visitors per week, followed by Rate.ro with 4838 visitors and eMania.ro with 2357 visitors. If, at that time, conversion rate generally accepted was 1%, we can say that Okazii had about 72 transactions per week, Rate.ro - 48 transactions per week and eMania.ro - nearly 24 transactions.

3. Electronic commerce in Romania during 2005 – 2010

Romanian e-commerce began in September 2005, to show his true value. Until 2006 there were shy attempts to make e-commerce, most sites were actually extensions of existing retail business classic.

The first half of 2006 brought a value of only 2.7 million from online processing of e-commerce transactions. At that time there were nearly 500 online store that only 200 had signed a contract payment processing in 3D Secure.

2007 is the first year that total balance reported by RomCard is higher than in 2005. Basically, for the first time, pure Romanian electronic commerce exceeded the volume resulting in 90% of cases, thus 2007 ended with about 35 million online trading card from the 3D Secure system.

Table 1. E-commerce online payment by credit card(thousands)

	2008	2009	2010
Number of transactions	612	1.246	2.260
Value of trades (EUR)	53.000	92.800	127.800

Source: www.insse.ro

E-commerce online payment by credit card in 2009 increased by 75% over 2008, reaching 92.8 million euros value, according to data from RomCard. E-commerce online credit card payment in 2010 increased by 38% compared to the previous year, reaching 127.8 million euros.

Online stores will increasingly differentiate more than traditional ones by introducing new products, specialized or niche, in a context that, they will be favored because of advantage such as proximity, one

click away from the buyer, as well as reduced costs storage and presentation products[3][4].

4. The analysis of e-commerce stores

Until 2008 research that were made focused on shops that are online, currently operates and communicates and are active on the Internet as a business, had the following evolution:

Table 2. The evolution of online shops during 2005-2008

2005	2006	2007	2008
412	433	640	875

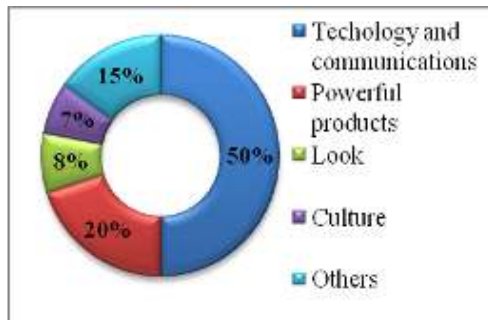
Source: own processing

After 2008, e-commerce market has grown, the number of online stores increasing by about 50% annually. Thus in 2009 the number of online stores exceeded 1,300 stores, and in 2010 reached number 2100. Top 5 cities with most online stores are: Bucharest, Cluj, Brasov, Timis, Bihor, Constanta.

There is no surprise in the geographical distribution of e-commerce stores in Romania. Large commercial centers have posted top leading Internet tradition. Bucharest (if we and Ilfov) holds more than half of the market, while the pursuers are about 20 times the distance. There is no improvement predict in the future in these figures since the stores are heavily dependent on logistics centers, rather than the actual location. Most likely we will witness the phenomenon of store-online-marketing tool (will provide the orders to those who deliver on commission)[5].

At present, Romania follows the evolution of the world in most of the products offered for sale in online shops, these are the technology (plus various gadgets) and communications.

Figure 1. The range of products traded Online



Source: www.insse.ro

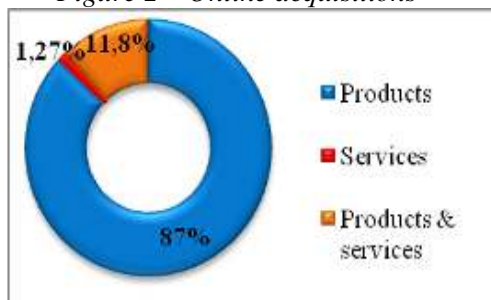
Strong products (games, toys, flowers, watches, tickets) occupies only 20% of the products we find to buy in Internet commerce in Romania. Culture (book and information) is only a percentage below 10% as the number of shops dealing with look and dress[8]. It is important to remember that the direction for 2010-2011 will remain on IT in terms of products offered in online windows.

5. Consumers behavior and preferences in online trade

The Romanian e-commerce shows serious signs of strengthening, even if consumption is still into the global financial crisis. This is the conclusion of studies in recent years, a very important aspect were consumer behavior and preferences in online stores, etc. products traded. In a study by Underclick.ro company that handles the annual National Survey of Electronic Commerce in Romania, have identified several issues related to consumer habits in the electronic commerce market[9].

One important aspect represents what customers buy in Romania on online trading sites, products or services. The study results are presented in the previous figure.

Figure 2 – Online acquisitions



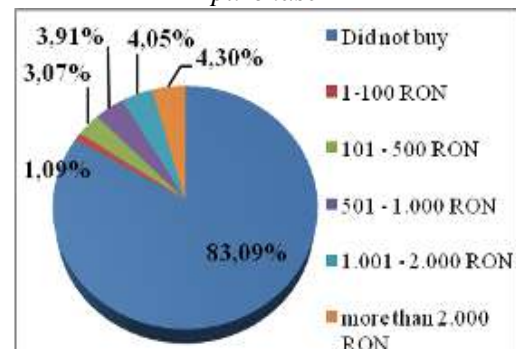
Source: www.insse.ro

As you can see the tendency of buyers is to purchase products which offer greater certainty in terms of materials and removing to a certain extent the mistrust to purchase.

Regarding the categories of products purchased, the application is closely related to existing shops in the market. Thus were taken as potential products to be purchased the following: computers, software accessories, hardware, clothing, shoes, books, magazines, DVDs, electronics, telecommunications services, cosmetics, pharmaceuticals, baby items, tickets, vacations, travel services, hotel services[7].

Among them are the following results in the highest values of online shopping, being situated on top: auto transport tickets, train tickets, computers, software accessories, hard, and stays, travel services, hotel services.

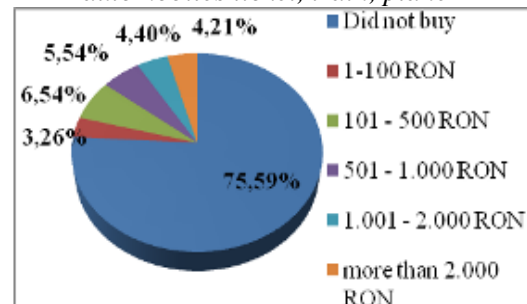
Figure 3. The results of online ticket holidays, travel services, hotel services purchase



Source: www.insse.ro

Average order for holidays, travel services, hotel services is 265 RON.

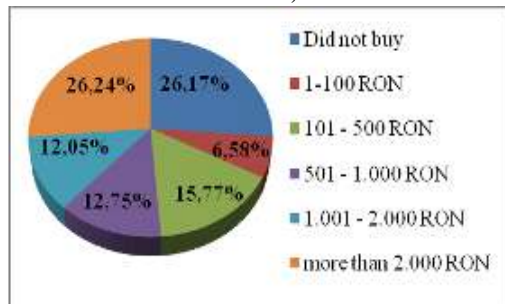
Figure 4. The results of online purchases of automobiles ticket, train, plane



Source: www.insse.ro

Average order tickets for car, train, plane is 305 RON.

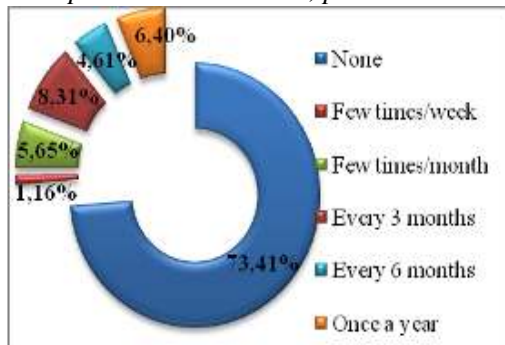
Figure 5. The results of online ticket purchases of computers, software accessories, hard



Source: www.insse.ro

Average order for computers, software accessories, hardware is 1241 RON. Of the previously mentioned product categories that have the greatest frequency of purchase are: cosmetics, pharmaceuticals and computers, software accessories, hard[10].

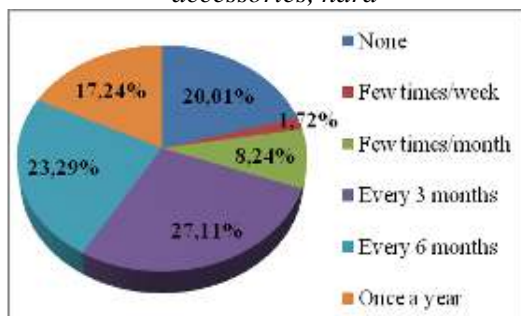
Figure 6. Frequency for the results online ticket purchases cosmetics, pharmaceuticals



Source: www.insse.ro

Average frequency for cosmetics, pharmaceuticals is 152 days.

Figure 7. Frequency for the results online ticket purchases of computers, software accessories, hard



Source: www.insse.ro

Average frequency for computers, software accessories, hardware is 167 days.

As it can be notice the common element, both in terms of value of online purchases, and purchase frequency, is the IT products. Hence the high retail outlets offer products of this type. The most important criteria that led to the decision to purchase the buyers are:

Tabel 3. The main criteria behind the decision online shopping

Criteria	Percentage
Best price of products or services	51.14%
Short delivery period	28.55%
Store reputation in the market	19.73%
Recommendations of friends	19.99%
Advertising	28.13%
Old relations shop/ contractual relationships	55.33%

Source: own processing

As it can be notice the price is a decisive factor in deciding to purchase and trade online. Time that will come into possession of the product / service purchased is also very important.

As with traditional commerce, notoriety and advertising that the company has, and recommendations are determinative strengths in procurement process.

6. Conclusions

The unprecedented development in the last two decades due to the need of information technology storage and rapid transmission of information with the lowest costs, has revolutionized global trade, direct trade or retail, redefining the traditional principles of marketing. Today, the term electronic commerce has become synonymous with profit growth.

Electronic commerce is taking place all over the world, the world essentially as a concept and its implementation, very quickly and by closely following the exponential growth of the Internet and World Wide Web. The impact of electronic commerce on firms and society will be great both in scope and intensity. Regarding the impact on firms, electronic commerce offers unique opportunities for business reorganization,

redefinition of markets or create new markets. E-commerce initiatives can generate cost reductions, revenue increases and operational efficiencies for companies seeking to gain a competitive advantage in today's economic environment[6].

Although penetration of Internet and e-business default is increasing, this increase is actually a slow growth, mainly due to lack of trust in online transactions and security offered, due to the opposition of some in the change, when a person perceives a change as too sudden, holding too little information on its implications.

Thus the transition from the traditional model of transactions going through the purchase of "tangible goods" store, the new purchase of a product model "based on images and information" found on the website of the organization, is found by many Romanian to be a sudden transition. This could be easily removed by a gradual transition to how online purchases through the Internet as a support implementation of the initial current offline business conduct.

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The Efficiency of the Management of Social Assistance Benefits

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Abstract

Social policies are defined as the amount of principles, values and customs which dominates over the social relationship among persons, communities and institutions and signifies state's measures and actions transposed and within strategies, programs, projects, institutions and legislation. The aim of the social policies involves the collective welfare, in order to achieve the target, state's actions presume a process which regards modification of the social life's features of the community. The main consequence of the state's social policies represents the social protection of the population, which is realized gathering various factors, for instance the economy, the labor market, the non- governmental area, the community. Social protection implies a continuous process of adjustment to economical changes, which causes a plethora of reforms and massive amount of laws, which have an effect on putting other laws in force, provoking incoherency within the social assistance system.

Key words: social assistance, social benefits, reform, efficiency, inclusion.

J.E.L. classification: H53, H75, I38.

1. Introduction

The national system of social assistance, according to social assistance framework law, Law No. 47/2006, is described having the status of a compound of the social protection system and includes the social benefits and services allocated with the purpose of developing individual or collective abilities, ensuring the social requirements, improving the quality of life and promoting the unity principles and social inclusion [1].

The organizing and the functioning of the national system of social assistance are governed by the same law, as well as by particular laws referring the protection of children, old persons, disabled persons, domestic violence victims. The Ministry of Labor, Family and Social Protection accompanied by the subordinated institutions issues specific public policies, administrates and coordinates the national system of social assistance, promotes the legal rights of the family, children, lonely persons, old persons, disabled persons and of each person who needs specific assistance, financial and technical support within the social assistance programs.

The main important are the social benefits, the support programs for developing the social services and the subventions allocated to the specific active NGOs, describes a strengthening manner of the social cohesion and an increasing manner of the social inclusion. [2]

2. The description of the current situation

Regarding the money transfer, achieved from non-contributory proceeds, approximately 57% from Romania's population is covered within direct or indirect mode. Among these types of proceeds, preponderant are the allowance for children, 52%, followed by the complementary allowance, 7,9% and the special aids for disabled persons 4,4%.

In the year 2010, via National Agency for Social Benefits managed, financed and assigned rights of social benefits, for instance allowance, compensations, support and financial aid, home heating aid, subventions designed for associations and foundations which manage social assistance units for approximately 7,5 millions of beneficiaries, physical persons. The budget allocated to the mentioned purpose, was in the year 2010, in

amount of 9.127.211 RON, the preliminary payment until December 31st, 2010 was in amount of 9.062.478 RON, respectively 99,3% from the allocated budget. In the year 2010 the made payment were with 945.271 RON higher than in the year 2009, respectively 11,43%.

The social assistance system reached this increased rank of *generosity* due to the lack of ex-ante analysis; the politic deciders, governmental or parliamentary competed in recommendations of raising of the quantum, as well as of the specific benefits without analyzing the relevance, the opportunity and the sustainability of their procedures. Thereby, at the end of the year 2010 Romanian population exceeded the value of 84%, being covered at least by a monetary benefit. The mentioned aspect is realized directly or indirectly due to the incomes division among the house members. Referring the money transfer, almost a half of the population has in the house, at least one income resource, obtained from contributory proceeds of social protection. In the last years the expenses designed for social assistance benefits had a considerable increase, and the social assistance system has developed significantly. Nearly all beneficiaries are children due to the universal method of granting the allowance, followed by the beneficiaries of complementary family allowance, and than the beneficiaries of monoparental family allowance. We noticed the evolution of beneficiaries of monthly incentive for reinsertion within the labor market given to the parent who received compensation for children care. Gathered data proved that, in the year 2010 the beneficiaries of this type of proceeds was 35% lower than in 2009 and 45% lower than in 2008. [3].

Considering that birth rate maintained its parameters, the situation is justifiable due to the unfavorable evolution onto the labor market, caused by the global financial economic crisis, the persons preferred to remain beneficiaries of the system than retuning onto the labor market.

Within these conditions, the compound from the Ministry of Labor Social Solidarity and Family budget, designed for social assistance benefits had an increasing rate, from 582 millions RON, in the year 2003, to 9026 in the year 2010, with reference to

GDP, in the year 2010 the total amount of expenses for social benefits, increased from 0,29% , in the year 2003, to 1,77, in the year 2010. If we include more expenses, for instance the expenses designed for social retirement allowance or other types of proceeds, we noticed that in the year 2010 the total amount of expenses for social benefits reached 2,86 form GDP. These expenses represents a significant compound of expenses for social assistance from the state's budget, comparatively with the low rate designed for social services. [4]

Label 1 The evolution of the Ministry of Labor Social Solidarity and Family (MLSSF) budget, designed for social assistance benefits within GDP, during years 2003-2010

Year	2003	2004	2005	2006	2007	2008	2009	2010
Budget MMFFPS (mil.lei)	582	1.361	1.606	3.394	5.750	7.600	8.100	9.062
Increase against 2003	0%	134%	176%	518%	888%	1206%	1292%	1460%
PIB (mil.lei)	197,5	246,5	288,05	342,4	404,7	503,9	491,3	513,6
Increase against 2003	0%	25%	46%	73%	105%	155%	149%	160%
Percentage	0.29%	0.55%	0.56%	1.05%	1.42%	1.51%	1.65%	1.77%

Source: MLSSF processed data

The mentioned evolutions prove that the social assistance system became highly expensive related to the recorded data, below the estimated data, for instance the increase of the birth rate or the equitable raise of the existence system referring to the special support of the beneficiaries.

Developing the social protection programs, within the providing benefits process, discovered a few negative aspects, as follows:

- A high reliance rate, 2,2 millions of adult persons, with proper working age, within the families which are beneficiaries of social benefits, not working or/are not included in the educational or professional training system;
- The amount designed for the families with low income, decreased from approximately 48%, in the year 2005 to 43% in the year 2009, for more persons these transfers of money mean the singular source of income,

not a complementary manner of social protection;

- The irregularities recorded within the developing programs for disabled persons, were in amount of 12% and respectively 14%, during the year 2010;
- The low number of social assistance beneficiaries allowed according to the evaluation of the real situation of the family-social investigation, and the inadequate manner of evaluation, verification and inspection determined the presence of the errors, fraud, related to cost/profit the inefficient system of social benefits;

In order to solve these issues, considered the following aspects:

- Establish a integrated system of social benefits payment;
- Reevaluate an area of the social benefits;
- Elaborate the Strategy on reform concerning social assistance 2011-2013.

3. The efficiency of the management of social benefits

As a first stage of the efficiency process of the social benefits system has been granted by establishment of Ministry of Labor, Family and Social Protection in order to manage the payment system of the social assistance and of the accordingly budget throughout of a new informational system:

- improved informational data collection system accordingly UE standards;
- unitary informational data system of social benefits payments;
- data analyze system which allow efficient procedures and policy development;
- system to cover all social benefit payments.

Data base and the records of the beneficiaries are based on following criteria: name, surname, personal number code

The second stage is based on focusing on granting the allowances to the families with a high poverty level. Considering that one of the specific conditions agreed by the Government, throughout the Loan Program for policy and development signed with the World Bank, *Public Financial Management Consolidation, of social protection and Financial area (DPL Program)* has targeted the family allowances, respectively, completed family allowance and sustaining

family allowance for single parents, the implementation of the program has been orientated towards sustaining the poorest families. Thereby, throughout Law 277/2010 for *sustaining family allowance* was decreased the income level for granting the allowance from 470 ron/person to 370 ron/person and have been enforced conditions for granting the allowance such as the evaluation of the family income, the value of the allowance based on the family's income and the children number, attendance to school with the option of decreasing the allowance.

In the same matter, throughout the OUG 111/2010, regarding *maternity leave and the allowance for the child rising*, has been regulated the method of granting the allowance for rising the child, for the children born as of January 1st 2011, in the way that the parents could choose one of the following options:

- the maternity leave and the allowance for child rising, upon 1 year age, in value of 75% of the net income over the last 12 month prior the date of the child birth, the allowance value is between minimum 600 ron and maximum 3400 ron. If the parent returns to work before the child's 1 year age, is receiving an incentive in amount of 500 ron and in case that the parent does not returns to work after the child is turns 1 years, will receive unpaid leave for rising the child up to 2 years age;
- the maternity leave and the allowance for child rising, upon 1 year age, in value of 75% of the net income over the last 12 month prior the date of the child birth, the allowance value is between minimum 600 ron and maximum 1200 ron. In this case the incentive is not granted. [4].

The third stage of the efficiency process of the social benefit system is based on development, accordingly with the Government objectives during 2009-2012 as well as the action plan provided by the governmental program and by PNR 2011-2013, of *Reforming strategy of the social assistance*, approved by *Memorandum* in 2011, Throughout the *Strategy*, is special attention is granted to the social benefits managed by MMFPS, identifying issues but also correcting measurements of those, for the period of 2011-2013.

The efficiency issues identified in usage of the available funds are:

- the fraud of the system or wrong granting of the benefits;
- addition of a high number of persons of this benefits;
- high number of benefits but with a low value;
- predominant benefits over the social services;
- low active participation and low responsibility of the beneficiary.

Also the *Strategy* establish the error control process, frauds and corruption (EFC) for the social benefits system as the central element of the social assistance reform. Due to that has been established the main components of EFC as following:

- prevention by ensuring the control over the highly risk programs of EFC and restriction of errors or of the fraudulent requests;
- detection by constantly checking of the granting method of the social benefits with a high EFC's;
- discourage, by creating and implementing of an efficient sanctioning system.

The main objective of control of EFC's aims that most of the beneficiary's of social assistance programs, to receive the proper benefits, in the right amount and to the right time.

The action plan conducted by MLFSP regarding the error prevention and control, fraud and corruption will focus on:

- simplify the social assistance system and managing of it (prevention);
- empowerment of the local authorities to verify the appliance's eligibility; (prevention)
- increasing the social activity inspections over all programs with high risk of EFC;
- identify the high risk of EFC cases based on MMFPS data base and other Ministers and guidance of the social inspection towards the identified cases; (detection)
- Ensuring resources for General Directorate of social inspection in order to detect the errors and frauds; (detection)
- Discouragement of errors, frauds and corruption by implementing a penalty plan; (discouragement)

The objectives set by the Strategy of reforming the social assistance system 2011-2013) aim decreasing the poverty, by year

2013, at least over the two population's deciles; promoting the work as the best social protection, for those able to work, in compliance with the income protection of the persons and of the low income family's; improving the development measurements of equal opportunity for the disabled persons; granting the benefits to the entitled ones by limiting the errors or frauds. [5].

Improving life quality by promoting policy regarding social inclusion, is a new direction of the social policy, direction which does not only follow the fight over the poverty of social exclusion, but also the development of a cohesive society, based on equal opportunities.

The social inclusion implies measurements and actions over the social protection, labor, accommodation, education, health, information-communication, mobility, security, justice and culture, designed for fighting against the social exclusion. In this respect, the increasing number of the employed disadvantage persons, becomes one of the prior objective of the system. Due to the fact that increasing the employment percentage is, most of the times, leading to increasing the life quality, the policy regarding social inclusion follows the stimulation of employment, as well as development of the enterprise spirit of all persons, but mostly of the disadvantage persons, by development of the private industry. [6]; [7].

The social inclusions suppose also the fight against poverty. The money transfer representing the granted benefits as well as the social inclusion indicators are monitored by the Social Inclusion Department of MLFSP. In label 1 are highlighted the indicators poverty level, in context of the gross minimum wage and of the main program of fighting against poverty, in Romania, the minimum guaranteed wage, in year 2010. Thereby, we can see that the level of VMG (minimum guarantee wage) for a single is lower than the poverty thresholds, based on the price level of 2009, which mean that the allowance granted does not reach its purpose.

Label 1 Comparison regarding the social inclusion indicators (ron/person/month)



Source: From MMFPS, statistics of 2010

However, following the chart, is found that in Romania the poverty risk has decreased due to the found transfers, done throughout the social assistance system, as example, over the year 2009, has been recorder a decrease of this indicator by 6.7 points, as the result of granting the minimum social retirement allowance. [8].

4. Conclusions and recommendations

Even if has been noticed real progress of the social assistance and fight against poverty policy, in the way of developing an inclusive society, following analyze, a series of malfunctions of the system are highlighted, still being in a reforming process. Throughout this, the main are poor implementation of the opened coordination method, low number of analyzes, studies and researches, existence of some legislative regulation, methods and parallel evaluation criteria, which generate confusions and incoherent of the system; insufficient monitored and control of the specific activities, different administrative regulation of the service providers; lack of contraventions; lack of qualified staff; as well as improper development of the training system.

For the efficient and effective implementation, by the local authorities, of the social assistance policy, is recommended, on one side, to create a communication channel between the responsible authorities, and on the other side, the development of the ability of the monitories, evaluation and analyze systems of the social assistance and social inclusion indicators, in order to ensure quality services.

The analysis of existing data and research results on the evolution of the Romanian population and the interdependence between

population, development, poverty, environment, consumption and pollution levels, indicate the need to formulate legislative proposals necessary for Romania to cope with problems posed by population trends, and developing a national strategy on population through which to implement measures in the social, medical, educational and economic, child-centered, maternal and young family spheres.

Social inclusion policies, in order to be effective and sustainable must be built on the principle of proximity, integration and transversality, and in accordance with the respect for diversity and differences, equality in the exercise of rights and co-responsibility in decision making. To realize such policies, it is recommended to strengthen the capacity of analysis, research and evaluation of the impact of measures implemented in the social inclusion area. It's also recommended, the developing of a map which is to include supply and demand in social services and social benefits and social needs identified in each county, promoting the development of a fair, harmonized and integrated social service at national level. Also, integrated measures of social inclusion should be implemented, in order to avoid social assistance dependency, and also the open method of coordination, civic education campaigns in community schools, the development of a participative and proactive culture among the population and beneficiaries of social services, and social responsibility for both local government officials and citizens.

Development disparities between regions remain a difficult problem to solve, but are essential in resource allocation for implementation of social intervention programs based on real needs and not equally. To identify problem areas it's recommended to do data collection at village level so that intervention through projects to be punctual and not throughout the region or city.

To prevent access to both social protection system component of social assistance - persons with disabilities, and the social insurance component - disability pensions, given that there are people receiving both types of benefits, it is recommended to review the classification criteria for the two categories of benefits, in order to establish a clear dividing line between the two systems.

Another solution, in order to improve cost with benefits for these categories, it is to merge the two systems, given the material features of the social security system, namely in the field of expertise of working capacity.

Given on the one hand, global economic crisis which obliges the state to direct funds to support economic recovery, especially to the public investment sector, and on the other hand, the costs involved in social care sector and the problems found in its operation, it is recommended for decision makers to focus their efforts on accelerating the reform process in this system. This will increase the effectiveness of social protection measures, will considerably reduce the possibility of fraud in the system and will ensure the directing of funds to the most vulnerable. In this respect it is advisable to reduce the universal financial benefits and implementing them based on needs assessment, because the current system is providing a large number of beneficiaries with very small allowances, many of them having a value below poverty. It is also recommended to rethink the relationship between gross national minimum wage, unemployment benefits, guaranteed minimum pension and minimum wage, in terms of balancing their average values in order, on the one hand to encourage employment, decreasing the trend of retiring as a means of providing income, and on the other hand, to combat poverty and social exclusion among the categories of beneficiaries.

It is recommended, both in social assistance area, as well as in employment area, the transfer of interest of the responsible institutions, from the area of the passive measures - social benefits, unemployment compensation, in the active measures area - social services, namely, stimulation services of employment and properly attracting beneficiaries in this process. The concept of social economy is increasingly cited, particularly as a specific objective within programs of social inclusion. There are enough projects in implementation through which the social economy structures are created. Being at the edge between capitalist economy and public economy, is recommended that legislative reglementation of the concept, that way ensuring the sustainability of the social inclusion,

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Steps of Competitive Economic Development in Romania

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Abstract

Retrospective development of Romanian economy may lead to the conclusion that it has been marked by transition, being conceived as a long and complex process of transit from one type of society to another, taking into consideration the fact according to which the concept of evolution combines institutions, structures and elements of the new society along with those of the previous one. Historically, modern Romanian economic life in all its aspects, has been under the influence of Western models and experiences.

Key words: stages, market, evolutionary, transition, competitive.

J.E.L. classification: C70

1. Introduction

Thus, in the second half of the eighteenth century, substantial transformations affected the Romanian countries in all areas, that were caused by the collapse of the old feudal relations of production and the emergence of capitalism that would develop in the first half of the next century.

This transitional period (the "crossroads of time" as C. Conachi in 1822 called it in the moment of the investment of John Sandu Sturdza at Constantinople) was characterized by increasing social division of labor due to the importance of the manufacturing production, the gap between natural economy and the one based on exchange due to the considerable broadening of the internal market and the economic and cultural links among the Romanian provinces.

2. Evolutionary stages

Early forms of modern economy appeared almost at the same interval with the reforms of Constantine Mavrocordat (1739-1749), which produced substantial changes in social, fiscal, justice and administration area, creating the social premises of the Romanian national state formation, development of organic regulations were meant as a step forward in the preparation of institutional unification of the Romanian Principalities, in agreement with the aim of state organization standardization, the development of commercial contacts, the formation of a single market and a community that is being based on a solid economic activity. In order to facilitate commercial transactions, the same currency was established and freedom in respect of the people of the principalities to acquire movable and immovable properties.

The union of the Principalities has marked the beginning of a crucial period as regards the construction of modern economic structures. The laws and decrees that were adopted during the period 1859-1877 (including the development of the Romanian Civil Code and the Romanian Commercial Code) are only facets of a vast restructuring act that builds the foundation of the capitalist world: individual freedom, freedom of contract and private property.

The institutional renewal topic that was perceived as legislative action, the law of consecration of phenomena, processes and modern economic relations were subject to controversy, thus involving philosophical, sociological, economic, political, and social ideas with socio-economic and political consequences regarding "forms without substance". In the decades that elapsed until the late nineteenth century, the key institutions of Romanian capitalism were established, among which the most

significant appeared to be the National Bank of Romania.

In terms of the state's protective aspect the legislative imposed an accelerated development path, according to the economist Stephen Zeletin. Between the two World Wars the economic policy was focused on legislative measures and institutions the role of which being to reinforce and accelerate economic development, as confirmed at the end of the interwar period. Romanian capital and capitalism were concrete realities, with notable performances at European level in respect of some areas.

In the years 1945-1950, in Romania were, however, imposed laws and legislative measures, aimed at the basic segments of the economy in the sense of establishing a new type of economy in which dominant was the existence of state property, acquired by means more or less in agreement with the new elaborated legislation. Thus, in 1948, by Law no. 119, the nationalization of the main means of production was introduced, on which occasion the former private companies were taken over by the state, the same year by Decree no. 303 and Decree no. 134 pharmaceutical units and healthcare institutions along with cinemas were nationalized; in 1950, by Decree no. 92, the buildings with different destination than the productive one were transferred into state property. In this situation, the private property right was, practically, abolished, thus, all the principles of market economy were also replaced by new principles and a model (theory) of the command economy appeared, the distinct feature of which being the orientation of business agents is centralized through the state apparatus.

Therefore, a specific economic law was structured, law of proportionate development plan of national economy that displayed the ratio causal determination between the use of national resources and the degree of satisfaction of social needs. Although apparently this concept would meet the requirements of a typical economic model of social market economy, in reality it had proved a failure due to the objective impossibility of being applied, mainly characterized by generalized public property, which should have led to the standardization

of social needs and thus creating a single social strata.

In this period, laws of market economy have been suspended starting with the suspension of applicability of the Commercial Code, supply-demand relations were governed exclusively by a single political decision, without a realistic basis of productivity, which led to the accelerated deterioration of the economic situation of Romania.

In less than half a decade, the international economic isolation determined the destruction of principles and foundations of competitive market economy that required efforts on an interval of more than a century. Historically, Romania did not approve for decades this market economy standard and stood for a different way of organizing economic relations by means of so-called socialist production relations, characterized by the dominance of socialist property on production means through the generalized action as regards the economic laws of socialism, as a result from the abolition of private property and competition.

Being perceived as generators in point of economic and social exploitation of labor force, private property and competition were explained as being harmful elements of development, although, in essence, their role was recognized in a certain manner: private property, had appeared, determining competition, competition that expressed "the struggle of private goods manufacturers for more favorable production and sale conditions".

Monopoly of state property has led to a series of negative effects, which affected the emerging market economies. Among them are included the following:

- ✓ monopoly of state property caused an excessive concentration of property as regards important economic units - hence the serious difficulties in sourcing and providing resources

- ✓ monopoly of state property represented the basis of super - centralized management -the local government's role was dramatically reduced to extinction, leading to increased bureaucracy and formalism

✓ monopoly of state property
decreased the initiative and the
responsibility of investment risk,
altering, finally, the efficiency.

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The Role of Competition in the Consolidation of Romania's Market Economy

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Abstract

Retrospective development of Romanian economy may lead to the conclusion that it has been marked by transition, being conceived as a long and complex process of transit from one type of society to another, taking into consideration the fact according to which the concept of evolution combines institutions, structures and elements of the new society along with those of the previous one. Historically, modern Romanian economic life in all its aspects, has been under the influence of Western models and experiences.

Key words: role, consolidation, law, transition, competition.

J.E.L. classification: C70

Promoting the culture in the field of competition, process which today is being initiated and performed by the Council of Competition, is an especially important aspect of the operation of applying the competitive rules, next to using the specific tools in order to control the anticompetitive practices and to control the economic "cartels" and the government benefits, and to achieve the main goal, which is the accomplishment and consolidation of a functional market economy that can ensure the integration under the best conditions of the Romanian economy into the European one.

In this context, the role of the Council of Competition is undoubtedly linked to the politics of competition, which, on its turn, is essential for the good functioning of the market mechanisms and obtaining lasting advantages for the consumers, concomitantly to optimal allocation of the resources and promoting the economic growth. The existence of a set of rules and of the

institution watching over respecting these rules by correcting the behavior of the economic actors and of the authorities is needful to any functional market economy.

Concretely, the changes applied at the end of 2003 to the two main laws in the field – The law of competition and the Law of state benefits – marked the beginning of a new step, legislative and especially institutional. Removing the malfunctioning created by the existence of two institutions delegated to administer the main laws (The Bureau of Competition and the Council of Competition) and assigning the tasks to only one authority, the Council of Competition respectively, and taking over the newest communitarian regulation regarding competition and government benefits, attracted the necessity to modify the secondary existing laws, as well as to adopt new rules and instructions to completely put under practice the recent changes made to the Law of competition and the Law of state benefits.

The new legislation gives increased authority to the Council of Competition, so the Council can disagree to any legislation that has opposite ideas to the ones regarding competition. These changes contributed to the completion of the institutional construction of the competence authority and, with the support given by the Government in the field of the needed insurance of the logistics, from which can be named the insurance of a proper main office for a company, put the bases of an institution according to the European demands.

The Council of Competition was established under the Law of competition number 21 from 1996, with the ulterior changes and completions as an autonomous authority in the field of competition. Considering its organization method, the Council of Competition was ensured the independence in decision making in the field that is administrating. This way, the Council

of Competition, as an autonomous administrative institution, performs its activity, deliberates and makes decisions in plenary and commissions. The decisions made in plenary are taken with the majority of the votes, considering that each member of the council can vote once and, in case of equality, the decision made by the president is being taken.

The Competition Council is made of seven members: a president, two vice-presidents, and four councilors. The members are named under decree by the President of Romania, at the request of the Government. One mandate lasts for five years and a member can be renamed only one more period. As an autonomous public institution in the field of competition, it also contains specialized bodies, with tasks related to performing investigations in the field of concurrence and state benefits, to analyze the notes concerning economic “cartels” and the state benefits that enter under the incidence of the law, research and supervise the markets, to make the inventory, reports and to monitor the state benefits, and in the field of European integration and international relations.

The role of autonomous administrative authority given to the Council of Competition has two aspects: a preventive one, to monitor the markets and to supervise the behavior of the economical agents, so by its interventions to avoid a significant distortion of the market competition, and to get involved in the legislative process in order to avoid the dispositions with anticompetitive character; the other is a correctness aspect, to reestablish and maintain a normal competitive environment.

The law of competition confers to the Council of Competition the authority and the specific instruments to achieve its final goal, which is to protect and stimulate competition to ensure a normal competitive environment, in order to promote the interests of the consumers. Into practice, this idea showed that a functional market economy, based on competitive mechanisms, is the best way to reach the wellbeing of the consumers, with all the imperfections that this solution may bring.

In a competitive market practically functions the law of supply and demand and the buyer has the chance to choose products

with lower prices and superior quality. It is known the fact that a normal competitive environment leads to satisfying the clients’ demands, as well as an efficient allocation of the resources in economy. To maintain these mechanisms functioning, rules and institutions are needed to permanently watch over respecting it, and to interfere when certain acts or facts can lead to the elimination or to a significant distortion of the competition. This role of “guardian of the market economy” goes to the Council of Competition. At the same time, by the authority conferred by the law, the Council can oppose to adopting any legislation that may contain anticompetitive regulations which, also, contributes to maintain and develop the competition.

Should be noted the fact that the role of the Council is to defend the competition, under the conditions that to enter the market is a free process, not blocked by artificial barriers, and the inefficient operators leave the market objectively, through bankruptcy. The economic operators have to “defend themselves” by growing their efficiency and respecting the rules of the game.

The competencies of the Council in the field of competition and state benefits are mainly the following:

- ✓ To regulate
- ✓ To investigate
- ✓ To make decisions
- ✓ To sanction
- ✓ To release notices, recommendations and proposals.

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Consolidated Accounts – Management Instrument for the Group of Companies and for the Thirds Information

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Abstract

The purpose of the present paper is that one to emphasize the fact that the companies operate very well having on their base the consolidated accounts, these consolidated accounts being as a matter of fact an important management and information instrument for the companies of a group, and for the thirds also.

Key words: consolidated accounts, management instrument, group of companies, mother-company

J.E.L. classification: M41

1. Introduction

At the beginning of their being, some groups of companies were establishing consolidated accounts for their management needs or at the request of the foreign mother-companies. Afterwards, the obligation to publish the consolidated accounts conduced to the consolidated financial information development. From this legal obligation, the interest in the consolidated accounts occurred, related to the internal information they contain, the consolidated accounts to be published being nothing else than the results of this information. To that effect, in France, the Stock Exchange Operation Committee (C.O.B.), had an important role in accelerating the establishment and implementation the regulations regarding the consolidated accounts, through the implementation and adaptation in the French Accounting Law of the provisions of the European Community VIIth Directive from July 1983 and of the international practices in the field.

In compliance with the French example, I consider it would be beneficial the initiative to involve the National Securities Commission from our country in a process of starting to prepare and implement the specific legal regulations.

2. Consolidated Accounts – Management Instrument for the Group of Companies and for the Thirds Information

In order to appraise the branches management, the mother-company managers may dispose, depending of their location (in the country or abroad) of the national regulations and activity sector – **homogenous bases**, that is financial documents established on the basis of the same principles. Such a thing allows: the decentralization, which paves the way for the dialog using a common language; establishment of forecasting elements on standardized bases; the control, at the mother-company level, of the reliable documents base; diagnosis, on the basis of reliable information. As a general rule, the dispersion and multiple activities make the synthesis carrying out of the group of companies consolidation service level to often become extremely delicate. The consolidation procedure carrying out require a standardized, regulated and controllable information circuit. In such a way, the mother-company can: establish the goals which are in charge of each company of the group, the commonly established provisions being assessed in homogenous terms; value the companies performances and compare among them, the forecasting elements included; proceed to sub-consolidations per activity branches. In a complementary way, the accounts consolidation organization must allow to get specific analyses, especially

those ones regarding: consolidated financing table; results per activities branches – when the group carry out activities of very different kinds, having the possibility in this way to highlight the contribution (positive or negative) of each branch to the holding global productivity ; comparison at each branch level of the rate between the got result and the used means (production means, financial means, etc.); geographical areas results. Finally, in a more global way, the consolidated accounts and the documents resulting from the consolidation allow to the group management team to better understand : the group evolution – taking into account the turnover, profit, investments, activities branches or geographical areas development; holding financial standing; holding „weight” and global productivity in relation to other holdings.

The consolidated synthesis documents allow to get the **forecasting consolidated accounts**: information regarding the forecasting basic activities, forecasting consolidated financing table, calculation of the forecasting consolidated self-financing capacities, all these allowing to the group management team the following: definition and figuring of the most important options of the group; continuous researching of the best financing ways; rational distribution of the available resources; communication with the companies inside the group.

The consolidated accounts must be considered more and more the true accounts of a company considered to be the group of companies leader. Hence, acc. to the ARB 51 Norms, in U.S.A., the consolidated statements are considered as being more significant than the individual ones and, generally speaking, necessary for the real description of the activity of a company pertaining to a group which has a direct or indirect financial interest allowing the control over other companies.

The consolidated accounts usability, as regards the external information, is conceived by the meaning of *insufficiency of the mother-company individual accounts* and the difficult problems of interpretation when these accounts are simply juxtaposed over the accounts of the group companies.

The mother-company accounts, individually, can not inform correctly the „readers” of the financial statements about

the assets structure inside the group or the actual results.

For example, in France:

- *in the mother-company's balance sheet, the possessed participation titles are valued to their purchasing cost and this does not allow to know the respective investment progress, which are the assets of each company part of the holding, which are the financing ways, etc.

- *in the results account, the mother-company include only the received dividends; these dividends may be – and the most frequently they are – different from the registered results;

- *an external person can not know the content of the mother-company consolidated accounts, that is to know if the turnover are completely in compliance with the sales towards different external thirds or an important part of them is the result of a stocks transfer, etc.;

- *it is not possible to know if an important profit is not counter-balanced by a loss of similar value registered to another company from the same group.

The consolidated accounts **allow** to avoid all these inconveniences and to supply, to that effect, extremely useful information.

The consolidated accounts allow to present;

- a) on a hand, a general information, particularly analyzed by fiscal-grade assessments;

- b) on the other hand, information required by the financial statements analysts:

- ***for the financers** (bankers or private financers), the consolidated accounts allow to know the way of the credits volume adjustment, depending on the group actual needs and reimbursement possibilities, as well as a first assessment of the risks to which they are subject to: if that one who lend (loaner) is the mother-company, the consolidated accounts indicate „the financial face” of the group, on the contrary, if it is another company from the group, such information can allow the assessment regarding the financial support power of the group in case of bankruptcy;

- ***the partners** find in the consolidated accounts the net result of the economic assembly set up by the group, the self-

financing capacity (global or per share) – elements which allow the actual assessment of its value potential;

***financial analysts** can assess in a different way, on the basis of the consolidated accounts information, the ratios regarding the productivity, investment capacity, business volume, etc.;

***finally, other thirds parties**, particularly the employees, customers, suppliers can find in the consolidated accounts elements regarding the group size and importance, its economic and financial capacity and potential, etc. As a conclusion, starting from the group definition and of the relationships established among the „bind” companies in its framework, it is stand out in relief **the need and utility of the consolidation carrying out and consolidated account submitting.**

Thus, the consolidation is directly connected to the group concept, and the purpose of the consolidated accounts is to describe the patrimony, financial standing and results of the assembly established by a consolidant company and the companies attached to it, as they would be a single entity.

The need and usability of a mother company consolidated account drawing up and submitting derives from the taking into account **of at least two points of view:**

a) the accounting data, that is:

*** the patrimony**

The consolidated account give points to the entire patrimony form whom the group is responsible. This patrimony can be represented by plants, immovables, intangible assets or even financial assets and it is much more probative than the consolidated companies titles mentioned in the consolidant company's immobilized assets.

*** financial standing**

The consolidated accounts shows all the creances and debt claims and debts towards external third persons qui have an incidence over the companies included in the consolidation regime, the mother-company balance sheet mentions the loans towards the other companies of the group. In the consolidated accounts, these internal debt claims and debts are excluded, and only the actual (true) claims and debts towards the

third persons are included. In such a way, the sterling actuality of the debts towards the external debt-holders.

• **the results and the activity**

By means of the consolidated accounts, the turnover achieved by the group is easier quantized. This thing is also valid for the results, given one of the rolls of the consolidated accounts to emphasize the quota from the results of each company fiscal year which is assigned to the group, either these results are distributed, or they are kept in reserve.

In the annual accounts of a consolidated company the following are showed only: the branches dividends (result connected to the previous financial years); provisions for the depreciation of the low results branches.

For the rest, the consolidated result does not find out the profits coming from the group internal results: dividends, trade margins applied to the stocks rising from a group company, added value related to the assets surrender, etc.

b) the group management:

In the case when the group purchased the titles of a consolidated company, the consolidated accounts stipulate the writing off of the titles purchasing difference. The group results must allow the writing off of this purchase difference, otherwise the group future would be flooded.

Vice versa, if an external growth realized through some companies purchasing is a success, the consolidated accounts allow the detection of the lever actions which may represent the in case group management.

Therefore, the consolidated accounting become **an useful information means of the internal and external users**, offering data regarding the group patrimony, financial and results status.

At the same time, it represents a **management means allowing to measure the group results and to analyse the productivity, depending on different criteria.** In such a way it is possible to compare the groups among them and also the companies of the group among them, the consolidated accounting being the start point of a good managerial politics and of good strategical decisions regarding the investments, financing sources, group productivity.

3. The consolidation area, the control percentage and the interest percentage – an important matter of the consolidation process

The consolidation area definition was given through the article 357 of the Law of July 24th, 1966, which stipulated the following: „Each year, the commercial companies establish and publish consolidated accounts as a report regarding the group management, for those ones which are controlled in an exclusive way or simultaneously (one or many companies) or when they exercise a strong influence upon them.”

To define the consolidation area means to establish the companies which **are** kept in the **consolidated assembly**. This issue still represents the subject of various disputes in the international accounting community.

One of the basic issued the authors of the new regulations regarding the consolidation must face was that one regarding the definition its **implementation area**. And this because, at the macro-economic level, another problem occurs, is that of the number of entities forming alongside with the mother-company the consolidated assembly, that is the **definition of the consolidation area** – here is an extremely important issue.

The financial analysts know very well, for example, that the consolidation exclusion of a financial branch of an industrial group because its turnover is low conduce to the risk to produce a bad image of the group status.

A law system which would allow numerous exclusions will conduce, without doubt, to evil consequences on the accounts compatibility and the financial analyses pertinence. This issue is connected to that one of the control definition, of knowing if a company is part of a group and to be consolidated, it is necessary to determine the influence degree the mother-company exercise on it. It is the matter of a difficult problem which involve the need to take into consideration different concepts of control: economic control or legal control, etc.

The **control percentage** or the **votes**

percentage represents the quota of the votes the mother-company owns to another company. This percentage takes into account

the number of votes, not the numbr of shares owned by the mother-company. In the developed countries practice there are:

- * common shares: a share – a vote;
- * priority dividend shares : without vote;
- * double or multiple voting shares.

In order to establish the control percentage, it is necessary to also take into account the connections which exist between the mother-company and the other companies (direct, indirect, crossed, circular).

The **interest percentage** represents the quota owned, directly or indirectly, by the mother-company in the capital of the companies kept in the consolidation area. This interest percentage must be calculated taking into account the number of the owned shares and the type of relationships which are there between the companies. In the consolidation process framework, **the interest percentage** is used for the elimination of the participation titles owned directly or indirectly by the mother-company in the consolidated company capitals.

It results then that the control way is established depending on the control percentage, and the interest percentage will be reserved when proceeding to the consolidation method implementation.

Generally, the various law systems and theories agree to not involve in the consolidated assembly the companies on which the consolidant company exercise a weak influence only, they having a reduces importance for the management.

On the contrary, two big problems cause the occurring of different concepts.

The first problem : it is necessary to keep in the consolidated assembly only those companies for which the consolidant company survey the management control or, contrariwisely, to extend this assembly with all the companies on which an important influence is put even this influence is not sufficient for a dominant position exercise.

The first concept points the getting together in the consolidated assembly only those companies to which a coherent strategy can be

imposed. The second concept, more

comprehensive, is of financial inspiration.

The second problem : in order to establish if a company can controle another company, it is necessary to take into account the legal criteria, such as: owing the majority

of votes in the general assembly or, on the contrary, to apply to economic type criteria which allow to establish a dependence relationship ?

In order to answer this question, I consider as an example the contractor company „A” whose orders would come almost exclusively from a very powerful group „H”, group which also owns a part of the „A” capital interest. It is clear that implementing a control criterium of economic type, the „A” company will be included in the „H” group, this reasoning being related to the economic dependence. In the contrary, selecting a criterium of legal type, would mean the exclusion of „A” company from the consolidated accounts of „H” group.

Thus, if the utilization of an economic type criterium seems to be logic, it is necessary to take into account the actual requirements of the dependence real status of the respective companies – which often may be difficult, even impossible to be managed and can arrive even to contesting. The legal type criteria have the advantage to simplify the operation putting, but their inconvenience consists in frustrating and not taking into account the existant economic realities.

The legal criteria allow the establishment of the developed control case, beyond this every other situation being doubtful and being necessary to select them cautiously.

The **exclusive control** may be: by rights, de facto, contractual or statutory.

There is the **exclusive control by rights** when a company owns, directly or indirectly, the majority of votes in another company, that is more than 50% of the votes in the shareholders general assembly.

The **de facto exclusive control** results from the owning, during two consecutive financial years, of the majority of the members number in the managing board. When the shares of a company are distributed among a greater number of persons, there is the possibility of the exclusive control, even owning less than 50% of the votes.

The **contractual or statutory exclusive control** is when a company has the right to

exercise a dominant influence on another one, on the basis of a contract or of a contractual clause (statutory).

This control way takes place when a limited number of associated shareholders share the control of a company and the

decisions which are made are the result of their common agreement. Such a control is met in the case of the multi-group companies.

For the simultaneous (common) control, two requirements must be met:

- * the power (control) sharing;
- * availability of a limited number of shareholders or associates.

The „simultaneous” (common) denomination means the fact that none of the companies can, individually, exercise an exclusive control.

In the international law (for example, the French one), the important influence on the financial management and politics of a company is considered when a company hold, directly or indirectly, a part at least equal to 20% (1/5) of the company's **votes**.

Holding 20% of the votes does not represent something else that the presumption of an important influence; practically, the power (influence) effective action is required.

At the doctrine level, a company has an important influence on another one if it takes part to its decisions making process. This participation means:

- * representation in the management bodies;
- * existence of some operations between the companies;
- * personnel exchange;
- * information exchange.

The I.A.S.C. Norm no. 3, afterwards modified, is clearly different of the French regulation as regards the exclusive control definition, this being conceived in a legal way, as follows: „The control represent the possession, direct or indirect, over the branches of more than half of the votes in a company. In the exceptional cases, the control done by a company can also be accepted when this company possess the majority of the normal capital without possessing the majority of votes or when it has the power to legally or contractually control the financial management and politics of the in case companies. At the same time, a similar situation is registered when it has the power to designate the majority of the administrators, related to the management contract or as a result of a legal decision.”

This restrictive concept has developed at the same time with the project to revise the I.A.S.C. Norm no. 3, the ED 30 text project, stipulating that „under few circumstances, the

control can result from the capacity to unite the majority of the directors, as well as also if the investor possess less than half of the votes." I.A.S.C. has also a position different of the French one as regards the consolidation exclusions. The I.A.S.C. Norm no. 3, as well as the ED 30 text project, do not mention, among the possible exclusions, the case of the companies for which the information required for the consolidated accounts building up can not be got without excessive expenses or during sufficient periods of time. The mentioned norm underline that „the exclusions based on these reasons are often subjective and can result in practice from the important differences between the companies which account similar situations.”

This norm does not mention for the optional exclusion in the case of the low importance branches, since the importance principle represents one of the basic principles of the I.A.S.C. Norm no.1. The F.A.S.B. Norm no. 94 notes a merely legal criterium for the control qualification: the votes majority property which represents, in principle, the basic condition for establishing the control availability as regards the consolidation exclusions. The F.A.S.B. Norm no. 94 provides its maximum diminishing. The previous norm, A.R.B. no. 51, allowed to the companies to be excluded from the consolidation process **when** the control were temporary only or implemented for reason related to legal or bankruptcy re-organization. At the same time, the A.R.B. no. 51 Norm did not allow to exclude, under certain conditions, the branches presenting a heterogenous activity, as well as the foreign branches submitted to the exchange control and limitations.

4. Conclusions

It is not possible the consolidation exception of the branches having an activity called „heterogeneous „ - financial-banking branches or having the insurances as activity object . F.A.S.B. made this decision after it found out that, after few years, the exclusion of the financial branches prejudicial to the consolidated accounts and headlighted by the financial analyses was proliferating.

Finally, the foreign branches consolidation exclusion is possible only under the same conditions as for the branches.

The European and international present regulations do not deliberately stipulate the consolidation exclusion cases, but only the serious and lasting restrictions imposing such situations.

Therefore, under the reserve to explain in the annex drawn up by the consolidant company or participation, it is left out the consolidation area when serious and lasting restrictions occur as regards, especially:

- * the control or influence exercised by the consolidant company over the participation branch;

- * possibilities to transfer the funds to the branch or participation.

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Relation: Information-Management Accounting-Decision, in the Framework of the Managerial Process

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Abstract

The permanent progress of the human society and that one of our present days particularly, have propelled the information as an indispensable need for the decision making process. More and more, the economic entities management is based on dynamism, flexibility and forecast, all these enjoining the use of operative and complexe data for the decision making process. The volume diversification and growth of the information/data which are related to the in-house processes of the economic entities and the need of solving a series of categories of more and more complexe problems, generated by the moving to the market economy, make the management accounting to be one of the manager's basic instruments in the managerial process, that is in the opportunities appraisal, action directions orientation and organizational strategy drawing up. The goal of this paper is to headlight the importance and role of the connection between information, management accounting and decision in the managerial process of an economic entity.

Key words: information, accounting information, management accounting, decision, managerial process

J.E.L. classification: M41

1. Preamble

Generally accepted, the information is a reality form of knowledge through which there are supplied news/messages from a certain field of knowledge regarding the kind, features and size of the objects, events, phenomena

and processes composing the environment. In the social-economic life, one of the basic form of the information is the economic information, and inside its framework, it is the accounting information which vehiculates reflection and control knowledge regarding the patrimony status and the results achieved.

The accounting information is got through own accounting economic data processing methods, procedures and instruments, being the more realistic, accurate, complete and operative information, representing the base of the managerial process. The majority of the decisions made in the managerial process are based on the information got from the accounting department.

The management accounting is a detail accounting, offering the information necessary to the appraisal of the production factors utilization way in the framework of the in-house technical and organizational structures, acting for the record and supply of information regarding the expenses level in contrast with the expenditure budget, as well as the cost of the products, works and services, actually steadying the managers in making the best decisions within their managerial activity. Such a thing denotes the fact that the accounting information has generally an important place inside the economic records system and especially inside the economic information system, system which represents the base of the managerial process.

2. Relation: information - managerial accounting - decision, in the framework of the managerial process

The unprecedented progress of the human society of our present days has propelled the information as an indispensable need for the

decision making process. This article aims at demonstrating which the relation: information – management accounting – decision, in the framework of the managerial process. The information system represents an organized and integrated data and information assembly, including the procedures and means used for their acquisition, processing and transmission. The economic information represents one of the basic forms of the information, generally being generated and used in the economic activity, by the processes and phenomena carried on in this field. Actually, it is an assembly of indexes and ratios which constitute the set of data required by the economic activity organization and management.

The economic entity appears in a triple aspect: as an information generator, as an information consumer and as an information vehicle. At the level of an economic entity, the economic information can have the form of: production factor; company's intangible resource; base of the analyse, decision and control process; specific form of representation; capitalization of the organizational knowledge. For the economic and financial analyse, the economic information represents the basic raw material because this analyse is based on information and, in its turn, it supplies information which are the base of the economic entity whole activity.

The accounting information reflects the economic entity status at a moment, the economic activity development, the measure in what the business is profitable or not and offers to the managers, as well as to other interested persons, an overview about an economic entity. Thus, the accounting information is proved to be all-important to a manager, being the main instrument through which the manager can know his company's evolution.

The decisions foundation at the economic entity management level (which corresponds to the decisional sub-system) is based on the information coming from the information system level. This thing is particularly important for the economic entity activity because its health depends, in a predominate degree, on the decision making speed and their accuracy, decisions which are based exactly on the information supplied by the information system.

The accounting information is produced by specialized structures, organized inside the economic entities as distinct functional departments (accountancy or financial-accountancy) or outside it, as independent legal entities or certified physical persons (certified accountant, chartered accountant/auditor) and whose activity object is the accounting information getting.

The accounting information must allow to the present investors, as well as to the potential ones, to identify, measure, classify, appraise all the operations and activities of an economic entity, being supplied by the accountant. In order to have useful accounting information in the managerial system framework, four main qualitative features requirements must be met, that is: intelligibility, relevance, credibility and compatibility. The accounting information privalently addresses to the company's external users, but the economic entity's internal users, as managers, place must not be neglected.

Analyzed in terms of the information theory, the accounting information has a double determination: qualitative or of rating and quantitative or of status. The qualitative determination designates the kind and nature of the patrimony element to what the information refers (fixed means, raw materials, liquid funds), and the quantitative determination refers to the condition of the patrimony element, or to the value defined by reporting.

The multitude and diversity of the information administrated and supplied by the accounting information system can be firstly separated in legal and financial information, which refer to the operations generated by the relationships with the thirds, allowing to know at any moment the sums owed to the suppliers, employees, social legal bodies, creditors, etc., as well as the sums to be received from the customers, debtors and other debenturers, presentation, towards the fiscal bodies, and substantiation of the turnover, incomes and expenditures, based on which the result, as profit form, had been established. In the second place, they are ranged in information of economic nature, which refer to the knowledge of the goods cost price, works execution costs or services supply costs, the profitability level achieved after their selling on the market, the value amount of the factors which caused or

determined the volume of the results got during and at the end of a financial year and, at the same time, for the prospective knowledge of the evolution way of the debts, claims, price costs, final results, etc. within the next period, based on such information which are supplied to the economic entity administration, the whole its economico-financial activity can be well learnedly managed and directed.

Practically, the accounting information are identified with the financial-accounting data regarding the status and movement of the patrimony elements and also with the economico-financial indexes and ratios regarding the resources and the got results.

A more realistic or purer accounting information can be got during the practice of the cash accounting, where only the actual aspects from the treasury accounts level are registered: bank accounts reserves, cheques and other bank bills and for the rest, the accounting information can be considered to be enough at the moment when it is in compliance with the standards, but the conformity to the accounting standards is a thing which is defined very difficultly, these standards containing a number of exact rules for which the economic entity practice conformity can be facilitated as regards its representation, a last reference being its faithful image.

The accounting information of an economic entity can be classified in two important categories: financial accounting information and management accounting information. The financial accounting information is intended for the external users, such as investors, employees, creditors, government or public and it is designated through the consolidated balance sheets or, shortly, financial reports/statements. Yearly, the economic entities administrators must draw up a set of financial reports, in standardized form, including: the balance sheet, profit-and-loss account, own capital modifications status, treasury/cash flows status and accounting policies and explanatory notes to them.

The management accounting information is intended for the in-house users, that is the economic entity management. The external users are very different: shareholders, funds borrowers, public power, employees, trade unions, associations of employers, customers, suppliers, public, legal bodies and consumers

groups. The growth of the number of favoured users entails an input of new elements and new extensions regarding the accounting notional framework. The built up information is intended for the administrators, as in-house beneficiaries, who must answer the question „how to distribute and use the resources utilized by the investors for the profitability carrying out”.

The accounting information is not standardized, often it not in money and includes information regarding the products unit cost, costs behaviour against the activity volume or profitability per product. The reports are supplied to the administration, from time to time, at short periods of time – monthly, weekly or daily and are circumscribed to some economic entity subdivisions called responsibility or profit centres. An information system well organized in the financial field, which contains relevant indexes and ratios for the managers, calculated on the basis of correct and actual data, acquire a place more and more important for the respective economic entity and for its business partners also. More, the financial analyse ratios will be used to the draw up a diagnosis regarding the profitability, the risk and the value profitability. We can then say that the field which meet in the best way the administration information requirements is the management accounting. The competition growth caused economic relationships more and more complexe, relationships which required better and better accounting systems and, in such a way, the management accounting became more and more important for the managers' decision making process.

Professor Mihai Ristea defines the management accounting as being „the analytical representation of the in-house processes of the companies which produce qualitative and quantitative transformations in the patrimony mass”. The process, as regards the diversification of the economic life exercise forms, as well as regarding the technics used in the accounting exercise, resulted in the accounting sedimentation and consecration as a scientific discipline, having a solid practical and academic base. The accountancy definition encountered, during its process, mainly, as regards the category in which it should be included, being considered art, or technics, or scientific discipline.

Different authors, such as Michael Capron, consider the accounting as being „a quantitative technics of information gathering, processing and analyse, applied to the companies economic and judicial events”. But, once the accounting theory had been developed and built up, theory which is based on the accounting system, the technics stage is overpassed. According to other authors, such as the Professors N. Feleaga and I. Ionascu, the accounting is considered as being „a mature scientific discipline, including a plurality of paradigms and discipline groups (scientific communities), opened to the basic and applicative research”.

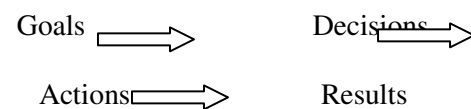
At present, the accounting is described in a dual way, being divided in two distinct, but interdependent components: the financial accounting, oriented towards the in-house information consumers, as well as towards the external consumers, and the *management accounting*, exclusively oriented towards the in-house information consumers. Even in the accounting theory there is the usage to place at opposite poles the financial accounting and the management one, this rupture is artificial, because in fact there is not an information system for the financial accounting and another one for the management accounting. But, there are analytical treatment procedures of the accounting data/information which allow the supply of information useful to the management, the result of the analytical accounting being understood depending on the purposes, otherwise said, depending on the expected results.

At present, the accounting role in the economy is very important: the information supplied through the accounting reports substantiate the economic decisions, at the economic entity level, but also at the country level, even at the international economic relations level. At present, the information society within what we live, needs fresh feed” as : well substantiated information, which, for the economic field, comes, in a predominated quantity, from the accounting area.

Thinking to the future, the only presumption is that the management accounting role as an information supplier will increase and will acquire new domensions, being an useful instrument which feeds the planning and budgeting process for the resources forecast distribution and which will be used for the results

comparison. The foreground goal of the management accounting is the aggregate result structure analyse, in order to establish the contribution of different activities or products to this result.

The efficient administration of an economic entity supposes the best possible utilization of the available ressources for the targets achievement, the profitability goal being one of them. In order to reach the expected/assumed goals, it is necessary to make decisions and to implement them at the same time, so that to get the estimated results; these can be represented as in the following sequence:



Having as final goal the supply of information which can facilitate the decisions making, the management accounting represents an instrument which is able to facilitate the decision making process, instrument which is essential in the economic entity steerage, having two main purposes: costs knowledge, but mostly the influencing of those who can act over them.

The management accounting is not used only in the costs calculation, but, particularly, it must allow a better control of the costs, to allow the action upon them. A true management accounting is based on the idea of the analyse of the couple “costs-profitability” which must not throw into the background any area of the economic entity.

The management accounting supplies the information on which the studies and arguments allowing the decisions making for the economic entity future can be based. As a whole, the information supplied by the management accounting are all-important for a forecasting management. Such a thing supposes to know the costs from the previous periods which allow to forecast the future costs depending on the kept activity levels and therefore to establish the budgets which explain the forecast action programmes.

The budgetary management allows the simulation of this action, the study of a great number of possible scenarios and making decisions depending on the estimated results. The management accounting supplies the information necessary to the drawing up of

reports and in-house analyses used by the organization management in its decision making process.

The presentation demands and the analyse of the information supplied by the management accounting are not restrictive. In the management accounting organization, the economic entities shall have an eye to assure the conditions so that the got information meet not only the present information needs, but also those ones which are in permanent changing process. Even the regulations in the field refer to the management accounting utilization by the economic entities, till present there are not minimal norms regarding these regulation application in the field. The management accounting place in the economic entities information structure is given by the capacity to offer information about the in-house processes carried out exclusively under the company's authority.

The analyse of the company's performances and information necessary to the management control are not possible without knowing the management accounting goals which are used to the accounting information integration in the managerial activity. On the basis of the information supplied by the management accounting, the economic entities administration has the possibility to survey and control the cost prices structure and level. The information supplied by the management accounting about the costs and the utilization of the allocated ressources are necessary to the managers for the strategical orientation and planning, for the choice of the optimal solutions in solving the problems the economic entity must face.

Through the management accounting organization, the economic entity is more efficiently managed, having the possibility to make in due time the decisions which the company's success depends on. The measure in which the management accounting meet the information goals and requirements expressed by the decisional factors, depend on the chosen calculation method of the costs with different informative potentials, oriented towards the decision factors specific requirements, meeting in such a way the accounting exercise requirements.

The information supplied by the management accounting are mainly intended for the in-house users. The managers represent the main category of the accounting

information users, and their demands are extremely various, depending on the work charges they have on their working place, but also on the company's kind and activity volume. One of the main role of the accounting information is that one to help the decisional process at any of the administration levels. Beside the managers, the executive directors and/or the Board Chairmen take part also to the managerial process.

The management accounting information are confidential, they are not transparent for the thirds. They serves to the economic entity interests, being not intended for their external supply and publicity. Often, the reports supplied by the management accounting refer to the respective organization profitability and therefore such information escape would offer an advantage to the competitors. The usability of the information supplied by the management accounting is established after the way in what it serves to the management activity in the decision making process which are the base of the carrying on of the economic processes and facts inside the organization.

One of the management accounting and costs calculation task is the preparation of the information necessary to the managerial decisions adopting and making these information available for the organization administration just in time. Hence, this system is required to supply in due time the requisite information, based on which the company's administration be able to make the proper decisions. The information must be efficient, simple and accurate, bringing new, advisable and integrable elements for the administration.

As a matter of fact, the management accounting purpose consists exactly in the information utilization in the decisional process. According to *H.Simon (1960)*, a decisional process includes many stages, for example: gathering of the information required for the decisional matter formality; decisional matter classification; decisional matter minding; alternatives identification (their projection); appraisal principle choice; decision choice; decision implementation.

The management fact includes, essentially, the decision capacity. But, it is a decision correctly directed , only on the basis of the information resulted from the analyse of the technical, economic and organizational

factors, of the effects and causes these information generate. Any manager, regardless the hierarchical level where he operates, is obliged to know the cost in order to act adequately.

The American economist Bertrand Thopson, writes: "the wisdom beginning of a manager is the exact knowledge of his price cost". The costs of the production activities, as management ratios, represents one of the most important sources of information, allowing the survey of all the operation process stages, starting with the execution technical documentation and the required materials assurance up to the made products and works reception. Any manager, as per his post requirements, must know as exactly as possible, the price costs, products self-cost and their productivity in order to establish the directions of the commercial and production policy.

Generally, the definition and understanding of the decision concept involve the taking into consideration of two basic idea : decision means an option conceptualization as a mental image or as an explicit model. Therefore, the decision mission consists in the aware direction towards the purposed results, control adjustment and actions forecast, knowledge, thoughts and aspirations transformation into actions.

3. Conclusions

As a conclusion, we can induce that the information usability is established after the way in what this one serves to the management activity in the decision making process. The management accounting supplies essential information for the control of an economic entity current activities, for the future activities planning, for the assurance of the resources optimal utilization, for the performance measuring and appraisal of all the economic entity sub-divisions, for the winning and keeping of the competition place. The decisional process is carried on according to many stages, each stage having a particularly important role in the final decision making as regards the economic entity goals achievement.

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Some Dobroudjean Religious Settlements, Attraction Elements of Product in Tourism Marketing

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Abstract

In tourism marketing, the tourist product involves natural and anthrop resources and a chain of specific tourist services (accommodation, food and beverage, transport, entertainment). Next to the natural patrimony there are various cultural, historical, religious monuments and buildings which can be considered basic elements capable of creating a distinct tourist offer and of contributing to a better knowledge of people, countries or tourist areas. Among these objectives, some Dobroudjean religious settlements can be considered as important elements of a special tourist offer, contributing to a good knowledge of Romanian spirituality. Located in isolated places, in unpolluted places, next to rural communities, these Dobroudjean testimonies of spiritual life can both ensure good recreation and acquaint foreign tourists with a significant facet of Romanian culture and history.

Key words: religious, settlements, tourism, attractions, product, marketing

J.E.L. classification: M31

1. Introduction

The tourist resources or the tourist patrimony constitute the essential physical framework of tourist attraction. They materialize in the structure of varied tourist products by means of specific services, tourist services, that is the ones that furnish content to the tourist product and which consist of a series of basic services (accommodation, meals, transport, entertainment), services organizing and commercializing the tourist offer and additional services.

2. Attraction Elements of Some Possible Tourism Products

As far as resources are concerned, they can be natural or anthrop, that is they can be natural or man-made (cultural, artistic, historical, architectural, etc.) and constitute the support of tourist attraction.

Starting from these aspects and taking into account the motivations, requirements and exigencies of the various categories of tourists, tourism operators can elaborate different types of tourist products.

People travel for various purposes (recreation and holidays, business, culture, sport, etc.) and, on numerous occasions the main objective of a trip is accompanied by various secondary objectives (for instance, the schedule of a business meeting taking place in a certain tourist destination is in most cases completed by visits to the most important tourist objectives in the area).

The Dobroudjean attractions that can represent constituent parts of tourist attractions include, apart from the natural resources usually visited (the sea and the beach), a series of architectonic and architectural, cultural and religious objectives (the Casino, the Roman Edifice, the walls of the ancient City of Tomis, the Mosque and the Cathedral of Constanța, the ancient Cities of Callatis, Enisala, Histria, the Monasteries and Nunneries of Techirghiol and Cocoșu, Celic Dere, Dervent, etc.), objectives constituting testimonies of the culture and civilization of this history-imbued place and exemplifying the way of life of the inhabitants of ancient Scythia.

Rendered special by the Christianize act that coincided with their formation as a people, the Romanians belong to the large European family and testimonies of this lengthy and eventful process reside in the numerous Christian and palaeo-Christian vestiges to be found all over Dobroudja.

Scythia Minor, that is the territory of present-day Dobroudja, was a constituent part of the Roman Empire, situated at its northeastern periphery, between the Danube and the Black Sea, and was evangelized by the Saint Apostle Andrew himself.

Archaeological excavations prove that this place witnessed the oldest and most organized Christian life in all Romanian provinces. From the north to the south and from the east to the west, this region is full of testimonies which provide life of first Christians. At the same time, the province was destined to the exile and martyrdom of Christians during the great Christian persecution between the 1st and 4th centuries A.D., especially in the time of Decius (249-251), Diocletian and Maximian (284-305) and Licinius (308-324).

Among the monuments and places of worship that constitute a veritable mirror of religious life, of our very civilization, that can answer a fundamental tourist motivation – taking the shape of a pilgrimage or of a holiday – or that can bring their contribution to tourist needs – being added to a certain tourist offer – there are the monasteries and nunneries of Cocos, Celic-Dere, Saon, Dervent and Techirghiol, each with its own history and magic.

Between the Orthodox monasteries and nunneries from Dobroudja the following can be considered the most important.

"Celic-Dere" Nunnery is situated in a woodland area, in the vicinity of Telița village. Romanian and Russian monks initially founded the nunnery in the period between 1841 and 1844. Its church was built after the plans drawn by architect Toma Dobrescu of Bucharest and was founded by Bishop Partenie Clinceni in 1901-1916, being dedicated to the "Assumption of the Virgin" feast.

Architect Dumitru Berechet improved the initial plans, and in the year 1932 Bishop Cosma Petrovici sanctified the church initiated in 1901. The church is covered with frescos painted by Gheorghe Eftimiu and Ion Dima sculpted its iconostasis in Brancovean style (Brancovean style = style typical of the reign of Wallachian prince Constantin Brâncoveanu, 1688-1714).

The nunnery has an old school of painting, carpet weaving, embroidery and weaving workrooms.

Situated at the end of an accessible staircase, standing guard over hills filled with quietness and greenery, the church shelters the nunnery's greatest treasure, that is the "The Miraculous Working Icon of the Holy Virgin", brought to the church by a family of believers from Ismail county.

"Saon" Nunnery, whose history is closely related to that of "Celic-Dere" Nunnery, is situated on a hill on the shore of lake Saon, a former branch of the Danube, and used to be a monastery.

In 1881 Bishop Iosif moved the monks of "Celicul de Jos" Monastery to the "Saon" Hermitage, founded in 1846.

To be followed by a church with "The Ascension" dedication day, the hermitage was rebuilt with two bodies of cells. Nowadays the church has three dedication days: "Acoperământul Maicii Domnului" – "The Virgin's Veil" (the new church), "Înălțarea Domnului" – "The Ascension" (the old church) and "Intrarea în biserică a Maicii Domnului" – "The Virgin's entrance into the church" (the chapel), and has been reconverted into a nunnery with the removal of the monks to "Cocos" Monastery in 1930.

According to historical documents, the third significant monastic dwelling in the area, The "Cocosu" Monastery, dates from the year 1833 and is the work of the monks Visarion, Gherontie and Isaia, natives of Neamț and pilgrims to the holy Mount Athos. The monastery was built next to a rocky hill known as "Dealul Cocosului", having as its starting point a hermitage dating from the end of the 17th century (1679). Initially built as a wattle church, it was pulled down and a second church was built in the year 1853, itself to be pulled down in 1910 (due to the impossibility of adequate consolidation).

The present-day church of "Cocosu" Monastery, built after the plans drawn by Toma Dobrescu, the same Bucharest architect that also drafted the initial plans of "Celic-Dere" Monastery, was dedicated in 1913 with the "Descent of the Holy Ghost" dedication day.

The unique scenery of lime-tree woods surrounds the monastery, and the monks inhabiting it are protected from the world behind its high city-like gates. The Italian F. da'Biasse made the paintings in the monastery.

Legends connect the name of the monastery (cocoș = cock) both with the grouse that could be heard from the neighboring hill and with the biblical significance of the cock's crow to Apostle Peter.

The importance of the monastic life in this monastery has grown with the bringing – starting with the year 1973 – of the relics of four martyr saints, Zotikos, Attalos, Kamassis and Philippos, all kept in the same wood coffin.

These relics were discovered in the course of excavations made in 1971 in Niculițel village (situated on the foundations of the ancient city of Novidonum), in the vicinity of "Cocoș" Monastery, and starting with 2001 they are returned to the crypt of Niculițel on their dedication day. The three monasteries and nunneries, Cocoș, Saon, Celic-Dere, and the basilica of Niculițel form together an oriental cross, testimony of the notable Christian life in the region.

Apart from these, in the north of Dobroudja there are two more testimonies of the old faith, unique in the world, that is "Vovidenia" Nunnery, situated at a distance of about 50 km from Tulcea, in Slava Cercheză village, and built in the 7th century, as well as "Uspenia" Monastery, built in the same period.

A new monastery is "Sfântul Ioan Casian" (John Casian Saint), who was a disciple of "Sfântul Ioan Gură de Aur" ("Saint Gold-Mouth John"), build near the cave where he became to preach, on "Casimcea Valley".

In the opposite part of Dobroudja, in the southeastern region of Constanța County, there is the Nunnery of Techirghiol, whose church, "Saint Mary" is built of wood. It was initially taken from Maiorești village, Mureș county, in the year 1934 by King Carol the 2nd, to Sfânta Ana (Saint Anne) Sheepfold in Bucegi mountain, and brought from there to Techirghiol by Patriarch Iustinian in 1951.

Believers are healed both bodily, through the benefits of Lake Techirghiol, and spiritually, through the prayers and benediction of the great father confessor Arsenie Papacioc.

Other new nunnery on this area is "Sfânta Elena de la Mare" (Sainte Helen from the Sea"), sainted in the interbelic period, in the presence of a great Romanian historic - Nicolae Iorga.

In the southwest of Dobroudja there is the "Dervent" Monastery. Situated in the vicinity of the Danube, near the Bulgarian border, in Galița village, Ostrov commune, on D.N.3 (National Highway 3), "Dervent" Monastery was founded by monk Elefterie Mihai.

There is a close connection between the history of the monastery and the Christian martyrdom in this Romanian region.

At the end of the 1st century A.D., Saint Apostle Andrew preached the Gospel in the land of Scythia Minor, living for a period of time in a cave situated in the vicinity of Ion Corvin village, situated at a distance of 37 kilometers from present-day "Dervent" Monastery. In 1990 "Peștera Sfântul Andrei" Monastery ("The Cave of Saint Apostle Andrew" Monastery) was founded in the vicinity of the cave, in a natural landscape of breathtaking beauty, at a small distance from the "Trophaeum Traiani" Monument in Adamclisi.

Martyrologies make mention of the frequent attempts made by the Roman authorities to persuade the Christians to give up their faith. In the city of Dervent, situated at a distance of about 15 kilometers from the ancient Durostorum (Silistra), four followers of Saint Apostle Andrew contributed through their sacrifice to the Saint's missionary work, the place of their martyrdom being marked by believers with four crosses of stone with healing powers.

The presence of these healing crosses establishes a connection between the historical past of the 1st-3rd centuries and the end of the 1st millennium, when the settlement began to flourish. At the beginning of the 19th century, the crosses were situated on an estate belonging to a descendant of a chief of the Turkish rayahs (rayahs = territories subject to the Ottoman Empire) on the shore of the Danube, Ahmet Bey, who ordered the destruction of the crosses. Two of the crosses that were hastily hidden by Christians under the ground were miraculously rediscovered after the war of independence by a shepherd who regained his hearing after taking shelter under two broken arms of the large cross. The two crosses of Dervent, one capable of healing humans and the other of healing animals, represent a place of pilgrimage for the Christians in the surrounding areas, thus inspiring the All Saintry Ilarie Teodorescu to

found a nunnery around the year 1923, although the foundations of the present-day church were only laid in 1936.

The church has three dedication days: "Sfânta Parascheva" – "Saint Parascheva", "Sfântul Mucenic Gheorghe" – "Saint Martyr George" (the chapel on the right side of the church) and "Înălțarea Sfintei Cruci" – "The Holy Cross". The absis on the left side of the church shelters another priceless treasure: "The Icon of the Virgin and Child", dating from 1820.

At almost 200 meters from the nunnery there is a spring of pure water, whose history is connected to the Saint Apostle Andrew, who preached the Gospel in these lands. The spring provided the nunnery with its fourth dedication day, "Izvorul Tămăduirii" - "The Healing Spring", a feast that gathers hundreds of believers in a pilgrimage on the Friday of Shrovetide Week.

This presentation cannot end without mention being made of the Archiepiscopal Cathedral "The Saints Apostles Peter and Paul" ("Sfinții Apostoli Petru și Pavel"), situated in the half-isle area of Constanta, next to the ruins of the old city. Functioned as a monastery in the present days, the foundations were laid in the year 1883 and the church plans were drawn by the famous architect Ion Mincu and inspired by the traditional Romanian architecture of the 17th and 18th centuries. The great tower is 35 meters high, the oak wood sculptures including the iconostasis were made in Paris, in Andre Dorea's studio, and one of the Cathedral's priceless treasures, apart from the relics of Saint Pantelimon and of the Martyr Saints Epictet and Astion, consists of a "Miracle Working Icon of the Holy Virgin".

All these spiritual treasures and architectural riches that have contributed to the formation of our national identity can and must be known, both nationally and internationally, since they represent a way of knowing the cultural and spiritual nature of Romania.

These places of worship can constitute – with due care and measure – tourist objectives that can be either included in the framework of a tourist product such as the

package tour or the pilgrimage, introduced in an independent offer or provided so as to diversify other tourist products.

Next to other places of worship, already known and visited by tourists coming from other countries (the most popular tourist region visited being of course Bucovina) Dobroudjean monasteries constitute testimonies of the way in which religious life has left its mark on the specific nature of our people, and, moreover, the archaeological evidence of the religious life unfolding in the Dobroudjean space in the first centuries of the 1st millennium confirm the fact that Romance and Christianity appeared and coexisted naturally, having a common evolution.

3. Conclusions

The inclusion of these religious objectives (with the support of the religious authorities of our country) in the framework of tourist programs meant especially for foreign tourists could provide them with a better understanding of Romanian spiritual life. Together with other material and immaterial elements of tourism product (tourism services, infrastructure, tourism equipments etc.) can contribute to a better understanding of the cultural and spiritual profile of the Romanian people.

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The Effect of the Economic Crisis on the Value of Global Brands

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Abstract

In 2008 the most severe economic crisis since the Great Depression hit the global economy. The current economic crisis has a negative impact on both people and organizations and changed many aspects of the global economy, such as government policies, corporate affairs or investors behavior . This article empirically examines the effect of the economic crisis on the value of global brands correlating the Interbrand model for assessing brand value with the dynamics of the global economy. The findings reveal that macroeconomic events such as an economic crisis do not necessarily affect brand value, but have a negative impact on the growth and development of individual brands. Moreover, a large scale economic crisis exerts a significant influence on how the monetary value of a brand is established and concentrated in today's markets.

Key words: brand value, economic crisis
global brands, macroeconomic factors

J.E.L classification: M31

1. Introduction

A brand can be regarded as a unique personality that differentiates the product, service or company from the fierce competition[1]. As a result of a more complex and dynamic environment individuals and businesses are faced with a lot of tough choices. Consumer feelings and perceptions about products and services are becoming the core of a strong consumer marketing orientation. According to Hamish Marshall, ex-CEO at Philip Morris: "the future of consumer marketing belongs to the companies with the strongest brands"[2]. The general strength of a brand reflects on the monetary value of a brand. Brand value is

driven by the overall market performance of the brand.[3] But how this performance is influenced by external factors such as macroeconomic climate changes? Any company that owns a well-known brand can ask such a question.

Macroeconomic climate influence important marketing variables like consumer behavior, competition or marketing strategy. All these variables affect sales and firm performance, thus affecting the monetary value of the brand.

One of the most important economic phenomenon that causes major mutations to the macroeconomic climate are business cycles. A business cycle can be defined as an economy wide fluctuation that occurs around a long-term growing trend and involves a shift between periods of economic growth (economic expansion) and periods of economic decline or stagnation (economic recession)[4]. Often, an economic recession leads to a global economic crisis. The focus of the current research is to deliberate whether the economic crisis from which the world economy tries to emerge has a significant influence on the value of global brands.

Brands begin "to be global" when they are perceived to reflect the same set of values in different regions of the world. A global brand will take advantage of large cost economies and can realize value from being "global"[5]. But this aspect can leave them more vulnerable to large scale negative events such as a global economic crisis. The constant danger a global brand is exposed to because of macroeconomic fluctuations, creates the necessity of a careful assessment of company assets.

Measuring the value of a brand is an important, but a daunting task. Information contained in brand measures is often associated with information that the financial markets use to update expectations of future cash-flows[6]. This is a factor of maximum

importance because the brand itself currently accounts for more than 30% of market capitalization and in some rare acquisition cases the value can be even higher[7].

Prior research, demonstrated that brand value can not be adequately explained using accounting measures. A lot of models try to assess brand value by mind-set measures (e.g.: brand saliency, brand awareness, brand loyalty etc.). But this kind of approach, even if it is correct from a marketing point of view, it is unappealing from a financial point of view. A mere assessment of brand attributes is often not sufficient because this value can not be translated into financial values.

In this circumstances, highlighting the effects on brand value, of large scale macroeconomic mutations, such as a global economic crisis can prove difficult. This is due to the fact that stock returns are associated not only with accounting performance but also with perceived relevance and energy of a brand[6]. The Interbrand model used to estimate the monetary value of a brand takes into account this important aspects of value measurement. Therefore, is appropriate to use estimated values based on this model for the current research.

2. Conceptual background&hypotheses

The market performance of a brand depends on a multitude of factors. Scholars do not agree on all this factors, but a thing is certain: between a brand and its consumers there is a symbiotic link[3]. A brand cannot "live" without its customers. In order to build a strong brand, companies need to create a positive and appropriate customer mindset related to their brand. Only brands that succeed in this process can transform the value created in the minds of their costumers in monetary brand value.

A well known fact is that an economic crisis will affect both consumer ability to buy (as an expression of current and expected future income) and also their willingness to buy (as an expression of their shopping behavior). In order to build brand equity that can be transformed in brand value, the right customer mindset is needed. Factors like the economic crisis make it almost impossible for the right customer mindset to be created,

thus affecting the overall value.

Not only consumers change their behavior when confronted with an economic crisis but also corporate affairs and politics are severely affected forcing drastic changes in organizational behavior (e.g.: less money spent on research and development). These changes may have a negative on brand value[8]. Accordingly to the issues described above, I hypothesize the following:

H₁: Drastic changes of macroeconomic factors caused by the economic crisis have a strong and negative impact on the value of global brands.

Business cycles have an impact on the overall potential of development and growth in any economy. In periods of economic expansion this potential expands exponentially, in contrast with periods of economic recession where it contracts dramatically[4]. This aspect leads to the following hypotheses:

H₂: A continuous, strong and positive relation exists between the macroeconomic climate and the growth in monetary value of global brands.

H₃: Macroeconomic factors changes caused by the economic crisis have a strong and negative impact on the growth and development of individual brands.

In macroeconomics, studying the inequality that appears in any given system has a major importance, because it can explain the system variables and can help forecast their evolution. Large scale macroeconomic events will cause major discrepancy between system variables and can cause significant fluctuations of macroeconomic indicators and welfare distribution[9]. In general, the impact of an economic crisis on macroeconomic indicators and welfare distribution is intuitive: it will cause major breakpoints that coincide with the beginning of the economic crisis, thus affecting their dynamics.

Researching how monetary brand value is concentrated can offer valuable information on the efficiency of accounting measures used to determinate brand value as well as the process of converting the perceived relevance and energy of a brand in monetary value for the brand. Brands are also a powerful tool used to generate welfare. Therefore, at a global level, it is expected that

the monetary brand value distribution will follow the general welfare distribution pattern. This naturally leads to the following hypothesis:

H₄: Over time, the degree of concentration is curvilinear in the shape of an U with a hard inflexion point that coincide with the beginning of the economic crisis.

3. Research

In order to test these hypotheses, data regarding brand value and growth rates before the economic crisis outbreak (2007) was collected from Interbrand.

Table 1. Best global brands in 2007

Brand	Brand value (mil\$)	Brand value change (%)
Coca-Cola	65.324	-3
Microsoft	58.709	3
I.B.M.	57.090	2
G.E.	51.569	5
Nokia	33.696	12
Toyota	32.070	15
Intel	30.954	-4
McDonald's	29.398	7
Disney	29.210	5
Mercedes	23.568	8
City	23.442	9
HP	22.197	9
BMW	21.612	10
Marlboro	21.282	0
A.E.	20.827	6
Gillette	20.415	4
L.V.	20.321	15
Cisco	19.099	9
Hyundai	17.998	6
Google	17.837	44
TOTAL	616.618	+162

Source: <http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2007.aspx>

As shown in table 1, only the 20 best global brands were selected. Data can be considered relevant, because global brands are owned by transnational corporations that are an important part of the global economy. If the global economy is considered a Pareto efficient system, as scholars suggest[10], it is safe to assume that brand value distribution obeys the Pareto principle.

The economic crisis started to show its effect in U.S.A in the middle of 2008 and spreaded fast, becoming a global problem. By the year 2010 the entire global economy was facing one of the biggest recession in history. In order to analyze the impact of the economic crisis on the value of global brands, similar data was collected from Interbrand in regard to the year 2010.

Table 2. Best global brands in 2010

Brand	Brand value (mil \$)	Brand value change(%)
Coca-Cola	70.452	2
I.B.M.	67.727	7
Microsoft	60.895	7
Google	43.557	36
G.E.	42.808	-10
McDonald's	33.578	4
Intel	32.015	4
Nokia	29.495	-15
Disney	28.731	1
H.P.	26.867	12
Toyota	26.192	-16
Mercedes	25.179	6
Gillette	23.298	2
Cisco	23.219	5
BMW	23.322	3
L.V.	21.860	4
Apple	21.143	37
Marlboro	19.961	5
Samsung	19.491	11
Hyundai	18.506	4
TOTAL	658.296	+109

Source: <http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx>

To test the four proposed hypotheses, after the obtained data was checked for consistency, an empirical investigation was started using various statistic methods and models.

4. Results

No support for H₁ could be found using both the sample size mean comparison method ($-.5581 > Z_{.05}$) or the Cohen's algorithm method ($.7653 < F_{.05/19,19}$). This is due to the fact that a strong growing trend affects the dynamic series as suggested by the great discrepancy between the net % increase of median and mean values

(+12.86% compared to +6.75%).

If the two distributions analyzed are considered the result of the action of one independent variable (economic crisis) and one depended variable (individual brand performance over time) it is possible to analyze the effect of the economic crisis on the value of the brand. Results, using a standard Anova model ($16.781 > F_{.05/1,18}$), show that individual brand performance over time is the significant factor that influences brand value.

Although no support could be found for the main hypothesis (H_1) of the study, a significant result was found for the relation between the macroeconomic factors and the growth in monetary value of global brands, using the sample size mean comparison method ($-2.481 < Z_{.05}$). Not only the economic crisis has a strong influence on growth rates of global brands, but it also has a negative impact on the development of individual brands.

By analyzing brand value growth trends and individual growth trends before and in the middle of the economic crisis using the Student's distribution ($-.449$) it can be concluded that the economic crisis acts like a brake in front of the natural growth and development of brand value. A significant gap between actual growth rates and expected growth rates (calculated using weighted moving average method) was identified as a result of the economic crisis ($\chi^2_{(1)}=5.85$, $p=.05$). This results illustrate that both H_2 and H_3 are confirmed.

In order to test H_4 , several concentration indicators were calculated. The results for both 2007 and 2010 are shown in table 3.

Table 3: Concentration indicators

Year	Ginni coefficient	Entropy coefficient	Tideman Hall index
2007	.1171	.9739	.1235
2010	.1218	.9723	.1248

Results suggest a very high degree of concentration in both cases but no significant change could be noticed (variation is less than 5% in any case). Calculating kurtosis for both sets of data, highlights a relatively peaked distribution in both cases ($KURT_{2007}=5.527$, $KURT_{2010}=1.122$) that

suggest an over time curvilinear degree of concentration. The significant increase in peakedness correlated with no significant changes of concentration indicators suggest the existence of a hard inflexion point which overlaps the outbreak of the economic crisis. Macroeconomic events such as a large scale economic crisis have a significant influence on the monetary value differences of global brands, thus H_4 is fully demonstrated. It can be concluded that there is a link between brand value concentration and general welfare distribution.

5. Conclusions

This study investigates the effect of great changes in the macroeconomic climate (focusing on the current economic crisis) on the value of global brands. The impact of the economic crisis on the value and growth rates of global brands was tested, as well as the relation between monetary brand value distribution and general welfare distribution

Results show that drastic changes of macroeconomic factors do not have a significant negative impact on the value of global brands. In line with previous research[11], it can be concluded that there is a very strong correlation between the monetary value of the brand and the consumer mindset. Even if macroeconomic factors can influence consumer mindset, their impact on the relationship between consumer and brands is minimum. Brand value is a result of a multitude of exogenous and endogenous factors, where the last category plays the key role. Managers need to focus on this endogenous factors and keep a watchful eye on the evolution of exogenous factors in order to build strong global brands.

Although the economic crisis plays a secondary role in the process of creating superior brand value, it has a major influence on the growth and development of global brands. Because business cycles exert a major influence on the potential of growth and development in an economy, a global economic crisis will diminish the natural potential of growth and development brands have. Managers are urged to develop and implement counteractive measures in order to maximize this potential and diminish

negative implication during a period of recession. Organizations need to make a shift in their politics in order to consolidate brands and assure a healthy brand value growth even during an economic crisis. This translates into "doing the right thing at the right time" regarding strategic brand management[12].

The results of this study reveal that brand value concentration is influenced by events such as the current global economic crisis. Furthermore, there seems to be a link at a global scale between brand value distribution and general welfare distribution. This link suggests that global brands may have a positive impact on communities and the environment. Therefore, global brands can generate welfare and can become powerful "engines" towards a more sustainable world.

6. Limitations

At least two limitations of this study should be considered; they also can provide avenues for further research.

First, in order to fully explain the effect of the economic crisis on the value and growth of global brands, a multiple regression model might be needed. This model needs to take into account five key dimensions of the consumer mindset (awareness, activity, attachment, attitudes, associations,)[13] and the influence of external factors (e.g.: globalization, macroeconomic climate etc.) on this dimensions.

Second, a solid future research on the effect of the economic crisis on the value of global brands needs to take into account sufficient amounts of data from three key periods: before the economic crisis, the middle of the economic crisis and after the economic crisis.

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Mood and Investor Behavior

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Abstract

Our brain is daily confronted with a huge amount of information and stimulus, hard to be understood and assimilated. In this context the investment decision is often determinate by inter-temporal restrictions, psychological factors and less probable by purely rational factors. Weather factors as humidity, temperature, amount of sunshine, length of the night, wind, geomagnetic storms or changes in biorhythm have a strong impact on investor moods and indirectly on investor behavior. The aim of this paper is to create a conceptual framework for analyzing the investor behavior taking into consideration weather and biorhythm changes.

Key words: mood, seasonal variation, biorhythm, investor's behavior

J.E.L. classification: G10,G11, G15

1. Introduction

The role of mood, feelings and emotions in human decision form an emergent body of research. Since the weather factors and biorhythm determine broadly uniform fluctuations in the mood of large group of people and in their investment behavior, the equilibrium stock prices are also affected ([29], [28],[26],[9], [10], [3])

The role of mood in economic decisions was explained by two opposite theories: AIM model (affect infusion model) proposed by Forgas [13] and MMH model (mood maintenance hypothesis) proposed by Isen, Nygren and Ashby in 1988 [19].

In AIM model, the investor bad mood is associated with an increase of the risk aversion. The investors with good mood will take an increased level of risk that will generate an increase of the price. Consistent with the principles of AIM, Kamstra et.al

[22], Dolvin and Pyles[8] and De Vries et al.[5] found strong connections between seasons, mood, assumed risk and prices.

In MMH, the individuals with good mood accept low risk levels in order to maintain this disposition, while the individuals in bad mood will take higher risks hoping that the success will determine a change of mood. This idea is also supported by Parker and Tavassoli [32] who demonstrate in their work that the individuals with a better mood have a higher risk aversion.

Even if apparently irreconcilable, those two models could be considered both valid in specific circumstances. If the bad mood is persistent in time, how it is the case of individuals suffering by SAD, AIM model could represent the right choice. MMH is more consistent with the case of one individual who is in a temporarily bad induced mood state.[37].

The paper is organized as follows. In section 2 we discuss the connection between weather, mood and stock market evolutions. The section 3 is dedicated to the way biorhythm data (geomagnetic storms, seasonal affective disorder, lunar phases, and daylight saving time changes) impact on human sentiment, risk tolerance and hence stock returns. Section 4 take a short look to the future, to the way the climate change will impact on capital markets and Section 5 concludes.

2. Weather effects

Many researchers examined the relationship between weather – induced mood and equity returns. Starting from the seminal work of Saunders [35] there were many positive correlations found between several proxies reflecting weather (clouds cover, temperature, precipitation level, wind).

Focusing on three indices (DJIA index value, value-index index and NYSE/AMEX equal weighted index) , Saunders investigate

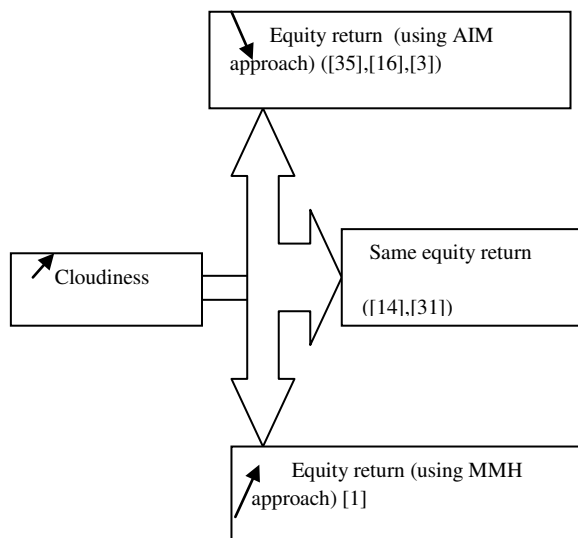
the stock prices variations correlated with the **numbers of cloudy days**. He starts from the hypothesis that the bad mood induced by weather generates depression. As a result the stock prices will be lower. In sunny days the good mood will determine an increase of the assumed risks and an increase in equity prices.

The results obtained by Saunders were confirmed during time by other researchers. Hirshleifer and Shumway [16] extended the research realized by Saunders on 26 stock exchanges in 1982-1997 being able to confirm the same correlation. Chang et al [3] confirmed it using a threshold model with GJR-GARCH process on error terms, on the Taiwan capital market.

On the other hand, Goetzmann and Zhu [14], after an analysis of the trades in 5 large USA cities, on six year period, found no dependency between individual propensity to buy or sell equities in cloudy days in opposition with sunny days. The same results were obtained by Pardo and Valor [31] who found no evidence of any influence of cloud cover and humidity levels in Spanish index returns.

Bhattacharai and Joshi [1] tested Nepalese capital market using weather variables and they found a significant positive relationship between stock returns and cloud cover, inconsistent with the negative relationship found earlier, but consistent with the MMH assumption, as one can see below.

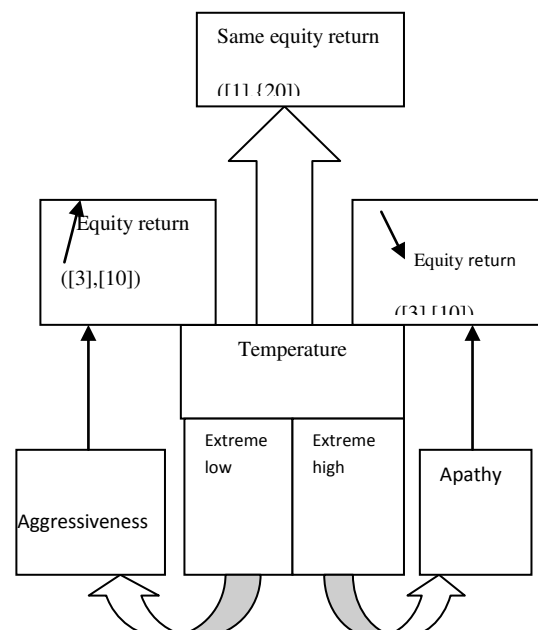
Figure 1. Cloudiness and equity returns



Several studies tested **temperature** as weather variable able to influence the equity returns. Cao and Wei tested the correlation using 21 countries sample, on seven years period. Their starting hypothesis is that the extreme temperatures determine an increase of aggressiveness. Low temperatures are associated with an increase in the propensity to bear risks and increased returns. High temperatures could determine aggressiveness and apathy (high and low returns), dependent to the dominant side. This correlation seems to be weaker during summer compared to the winter. When temperatures are extremely high the apathy is dominant and the returns are lower. Also the study shows that the prices of small-cap stocks respond to investors' mood change in a much more pronounced fashion. The same line or argumentation is also used in Chang et al[3], Dowling and Lucey[10]. Both studies provide evidence of the direct temperature influence on equity returns.

Testing of temperature-return correlation is not undisputable. Theissen[40] found no evidence between the predictions realized by the German investors and the temperature from the moment when it been realized. Bhattacharai and Joshi [1] and Jacobsen and Marquering [20] were unable to find any evidence in favor of temperature explanation. More Jacobsen and Marquering consider that a simple winter/summer dummy would best describe seasonality. For a synthetised view, see the figure below:

Figure 2. Temperature variations and equity returns



Precipitation level is also present in several studies which tried to link weather changes with capital market returns but there are no serious evidences of this kind of connection.([3],[9]). Dowling and Lucey also tested for **wind**-equity correlation but they found no evidence to support the idea of such a relation despite Shu and Hung[36]. In a study realized on 18 European countries from 1994-2004, they analyzed the relationship between wind speed and daily stock market returns. They found that the influence of wind on stock returns is significant and hence the wind could be used as a good proxy for mood.

A potential explanation could be the cultural differences between the analyzed countries, the different samples taken into consideration and not in the last place the status of the analyzed capital market/markets. Some evidences points out that the correlation between weather and the capital market evolutions is much more powerful in times of positive market performance ([30],[9]).

3. Biorhythm and stock returns

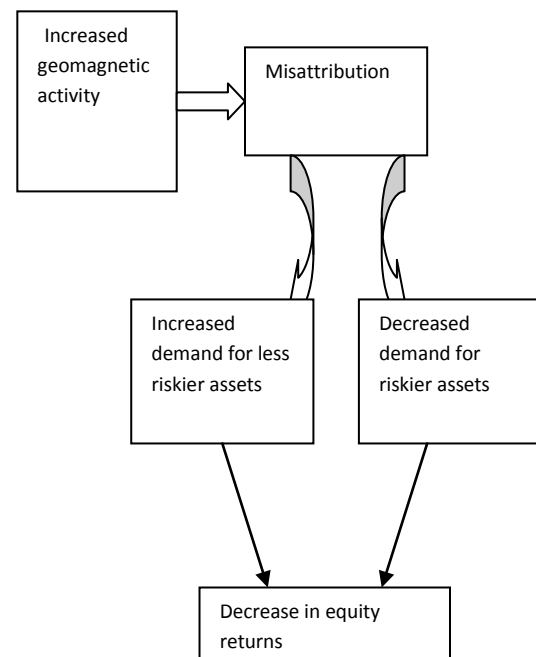
During time, several researchers pointed out the impact of **geomagnetic storms** to the level of mood disorders and to human health. Geomagnetic storms have been found as an important determinant of the increase in anxiety, sleep disturbances, altered mood, and depression. Kay [24] found that hospital admission for individuals diagnosed with depression increased with 36,2% in periods with high geomagnetic activity. Almost similar results were found by Raps, Stoupel and Shimshoni [33] testing for the correlation between monthly number of first psychiatric admission and the presence of geomagnetic storms.

Human health is also affected. Mental and cardiovascular diseases seem to increase almost two times compared with calm geomagnetic periods. The geomagnetic storms influence the activity of pineal gland and cause imbalances in the production of melatonin. As a result, the probability of mood disturbance increases.([39],[45]).

Krivelyova and Robotti [27] have documented a strong link between geomagnetic storms – mood -stocks prices. In periods of high geomagnetic activity,

individuals are tempted to attribute their bad mood to negative economic prospects and sell riskier assets, due to the decrease in risk tolerance. The increase in demand for less risky asset determines low stock prices and low returns in periods of high levels of geomagnetic activities (as one can see below):

Figure 3. The connection between geomagnetic activity and stock market



This effect seems to have a higher intensity in the small cap stocks since the individual investors are the predominant ownership [15]. The connection between geomagnetic activity and equity return was found to be stronger in countries as Canada, Germany, Great Britain, Australia and New Zealand and lower in South Africa, Sweden and Japan. At global level, the effect on stock returns around the world is found to be negative and strongly economically and statistically significant.

In recent literature several sensation-seeking measures have been studied in order to judge the propensity to take risks in financial decisions ([43],[17],[41],[12],[22]). **Seasonal affective disorder (SAD)** is a mood disorder that affects many people during the seasons with relatively fewer hours of daylight (in USA more than 10 mil.

Individuals were diagnosed as suffering from SAD). Many researchers in psychology have documented a strong link between seasonal depression and lowered risk taking behavior. Because of this effect, a seasonal variation in number of hours of sun can be related to a seasonal variation in equity returns. If we consider that market equilibrium occurs at prices where marginal buyers are willing to exchange with marginal sellers it is easy to notice that aggregate demands and supplies for risky versus risk less assets can affect equilibrium. Kamstra [22] have demonstrated that returns are usually lower during fall and winter, but this effect is not necessarily a symmetrical one.

Despite the dominant view in psychology that there is no relationship between mood and **lunar phases** ([34], [25]) two teams of University of Michingan researchers ([6], [44]) documented the negative relationship between stock returns and lunar phases. They found that returns are significantly higher in the days surrounding new moon dates than in the ones surrounding full moon dates.

The weekends with **daylight savings time changes** could represent another proxy for biorhythm in relation with equity returns. Kamstra et al. [21] documented lower returns after the weekends with this kind of changes because, no matter of the direction these changes affect sleep patterns and generate anxiety.

4. Climate change and capital markets

The world we live is continuously changing. The climate is not less susceptible to that especially because the industrialization phenomenon heavily increased the probability of extreme events such as droughts, floods, and super-hurricanes [37].

The projected effects on the main weather variables are presented in the next table:

Table.1. Projected effects of global warming

Projected effect	Probability estimate
Higher maximum temperatures. More hot days and heat waves over nearly all land areas	Very likely (90-99%)
Higher minimum temperatures, fewer cold days, frost days and cold waves over nearly all land areas	Very likely (90-99%)
More intense precipitation events	Very likely (90-99%) over many areas
Increased summer drying over most mid-latitude continental interiors and associated risk of drought	Likely (67-90%)
Increase in tropical cyclone peak wind intensities, mean and peak precipitation intensity	Likely (67-90%) over some areas
Intensified droughts and floods associated with El Nino events in many different regions	Likely (67-90%)
Increased sian summer monsoon precipitation variability	Likely (67-90%)
Increased intensity of mid-latitude storms	Uncertain (current models disagree)

Source: IPCC(2001)

The climate change impact on capital markets has both an objective a subjective side. From the objective point of view the expected weather changes would determine some shifting in the capital markets positions. The new orientation could be orientated towards the abundant renewable energy sources - such as solar and wind - to generate sustainable profit without the pain of another speculative profit bubble that inevitably builds to the bursting point. Also, in order to protect against weather associated risk the derivatives sector could develop new products and techniques.

The subjective side is not a negligible one, either. We have already pointed out the influence of weather on investor's mood. An increase in extreme events and temperature, precipitation, wind and other correlated effects are for sure able to determine some important mutations in investor's attitude towards risks and in the final in the equity's returns.

5. Conclusions

The traditional financial theories which were neglecting the human with all its traits, as a main determinant of capital market evolutions are for sure history. In the actual chaotic world, human decisions are in a continuous change and depend both by rational factors and by subjective, irrational ones. Taking into consideration weather and biorhythm factors for assessing future capital markets evolutions, appears as a imperious step to do.

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Responding to the Impact of the Global Crisis on brain Drain: The European Perspective

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Abstract

The paper is focused on exploring, from the european perspective, the possible reactions to the impact of the global crisis on brain drain. The policy responses to an accelerated brain drain process can be analyzed at three levels: countries of origin, countries of destination and EU level. For sending countries, actions to reduce the detrimental effect of brain drain could be: encouraging the return of the expatriates, stimulation of the internal demand of human capital, monitoring of public spending on human capital(education and health). For destinations countries the main challenges are related to cover the economic and labour market needs with immigrate highly skilled wokers and to attract and retain foreign researchers in order to face to the global competition. At the european community level, immigration is a significant component of any strategy to boost economic growth and competitiveness.

Key words: brain drain, migration policies, human capital

J.E.L. classification: J61, J68, J24

1. Introduction

The process of the brain drain implies the outflow of highly qualified workers, usually by transborder or transcontinental migration, and refers to both source countries and receiving countries. Highly qualified migration is basically driven by negative factors in the source countries (outflow) and positive incentives in the receiving countries (inflow).

As international phenomenon integrated in the global economy, brain drain is affected by the shock of the financial and economic

crisis. These impacts can be expected to have economic and social consequences on the sending and receiving countries. The challenge for them is to discern exactly what these impacts are and how to draw appropriate national policy to respond to these changes. As a global actor and competitor on the global market, the European Union has to have a reaction on

The global financial crisis, which began in the second half of 2008, has led to a significant downturn in the global economy. The crisis has evolved through three phases, from a crisis of the financial markets, to a crisis of the real economy, to an employment crisis (6). A fourth phase, the present one, is a public debt crisis, as many analysts predicted.

The paper aims to explore the appropriate policy responses to the brain drain taking into consideration the effects of the global crisis on the European economy. The rest of the paper is organized as follows: after a short presentation of the effects of the global crisis on migration and, particularly, on brain drain, in the section 3 there are described the possible policy responses at the EU sending and receiving countries levels and there are discussed the key points of the EU-level brain drain policy. Section 4 is dedicated to conclusions and further directions of research.

2. The impact of the global crisis on overall migration

2.1. The effects of the crisis on migration

Growing disparities in development, the global jobs crisis, the segmentation of labour markets, revolutions in transportation and communications, and a burgeoning migration industry combine to explain why there is an unprecedented number of migrants in the world today — over 200 millions(5), 2009).

Immigrants now make up more than 10% of the EU population (2) and 12,9% in the US (10).

The international migration of workers is affected by the global on short term and on long run.

The short-term effects of the economic downturn on international migration(1) are:

- Return migration of some migrant workers to their homelands as a reaction to unemployment or lower earnings (this has been observed in the case of Polish workers in Britain and Ireland);
- Reduced levels of migration from origin countries to destination countries;
- Attempts by governments to provide incentives to unemployed migrant workers to leave (e.g. Spain), with mixed success
- Specially large declines in irregular migration, which is especially sensitive to availability of jobs (observed in the case of Mexico-US migration);
- Reduced remittances (money transfers) from migrants to their home communities, leading to possible hardship in communities dependent on such transfers;
- Increased hostility to migrants among majority populations, leading in some cases to conflicts and violence.

The effects of economic downturns on migration are complex and hard to predict on the long run. The current crisis may have deep-reaching effects that we cannot foresee. It is probably mistaken to believe that migrants will serve as a sort of safety valve for developed economies, by providing labour in times of expansion and going away in times of recession. When economic conditions get bad in rich countries they may be even worse in poorer origin countries. At times of recession, the motivation to migrate may be even higher than before, and remittances may prove a resilient form of international transfer, because of migrants' obligations to their families (1).

In conclusion, overall, financial crises have an impact on migration and development through a reduction in remittances, the acceleration of the 'brain drain', and where large-scale returns occur (5).

2.2. The effects of crisis on the brain drain

As a part of international migration, the skilled emigration is accelerated by the global crisis. The developed countries are more attractive for highly-skilled people from developing countries. The motivation to emigrate is intense and stimulated by the lack of opportunities in home countries and the stimulating rewards packages and the living standards from the host countries.

High income industrial countries do not produce enough graduates -let alone world classes graduates in mathematics, sciences, engineering, health professionals (8) to meet their firms and to cover the economy needs. And the best among they do produce they lose to other developed countries with more competitive firms, much better-funded universities and R&D facilities, greater opportunity for advancement and much more attractive compensation packages(9).

Among the destination countries of brain drain, the US has a competitive advantage to attract and integrate the highly skilled -due to the top universities, excellent facilities research and environment, the high rewards to successful business men and women. Analysts argued that US remain on its laurels and that without more active strategies providing an attractive immigration package it may lose some of its traditional advantage(3).

3. Possible policy responses to the current situation on brain drain

We can easily conclude that the policy response to the brain drain can be discussed at three levels: countries of origin(sending countries), countries of destination (receiving countries) and the EU level.

For sending countries, the aims of these policies are different as in the destination countries and are including: (1) to manage the brain drain, (2) to limit its negative effects on human capital accumulation, labour market and economic growth, (3) to transform brain drain into a beneficial phenomenon for economic growth.

In sending countries, the main components of an emigration policy aiming to address the crisis effects could include the following key aspects:

-Encouraging the return migration of highly skilled expatriates;

-Stimulation of internal demand for human capital, for specific skill needed on the labour market;

-A careful monitoring of the public spending on human capital (education and health).

Encouraging the return of the highly skilled expatriates means policy measures targeted to individuals to return to apply in their home countries the skills acquired abroad through attractive compensation packages(rewards, opportunities for advancement, research of excellence).

Stimulation of internal demand for human capital means policy measures aiming to retain in the country the skilled individuals by creating jobs and opportunity in economic sectors vital for the country's development, public investment in tertiary education according to the local employers interests, respectively, public subsidies that encourage the acquisition of those particular skills which are most needed domestically.

During crisis, a severe *monitoring of public spending* is highly recommended. The issue of the efficiency and effectiveness of the public spending for education and health gained the first place on the policy agenda of the governments due to the crisis pressure. It became more important that the public resources be used in the most efficient and effective way. The efficiency and effectiveness of the public spending on human capital(education and health) can be evaluated through several methods like *production possibility frontier*, which indicates feasible output levels given the scale of operations (the greater the output for a *given* input or the lower the input for a *given* output, the more efficient the activity is), *DEA* ("Data Envelope Analysis") *technique*, *"Free Disposal Hull"-technique*, *regression analysis*, *covariance structure models*(7).

From the migration policies already implemented by the European developed countries (3), I selected two of them, that I consider appropriated for the current situation on brain drain:

-Facilitate foreign researcher entry: specific legislation regarding particular visa procedure, work permits, funding for

family members, research exchange programmes, health insurance etc.

-Facilitate the entry of skilled workers in current demand: flexible work permits system, reducing administrative burden of intra-company transfers, accelerated hiring procedures for particular sectors (IT, R&D), job-cards etc.

Over the coming decades, all industrialized countries will experience native workforce declines due to the ageing population and some of them will decrease the total population. The European Union estimates that the EU-27 labour force by 2025 will decrease with 25 million workers. Taking into consideration demographic changes, labour shortage, skills and locational mismatches, rapid expansion of some economic sectors (elderly care), the policy makers have to decide to complement their workforces with qualified immigrants.

The recent European brain drain's literature focuses on the individual motivation to migrate and consequently the policies suggested is to create individual incentives for skilled workers to come back or to decide to migrate in Europe. These policies regard: languages courses, incentives and facilitations to the researcher's family, incentives and facilitations to the researchers and theirs career, grants and scholarships, tax and salaries, marketing & recruiting policies and intellectual property rights (3).

The EU performs a crucial role in these migration policies by collecting and reviewing the existent policies and by acting as coordinator of common policies inside the EU. The current situation on brain drain shows that it is not sufficient to increase the investment in R&D, but are necessary concrete policies and strategies to stop the European brain drain and to reverse it (by attracting foreign brilliant scientists). the European Commission is trying to coordinate the brain drain policies of the Member States, but actually there is no coordination between the European countries, regarding their brain drain policies. The EU Commission try to create an unique brain drain policies but all the EU's Members implement independent policies focused either to stop their national brain drain either to compete to the other European Countries to attract the European and the non-European brains. In this context

there are countries that reach this goal and others that suffer an increasing brain drain (3).

Unfortunately, EU shows a limited capacity to implement for EU-level migration policies. There are currently two bodies devoted to EU-wide policy implementation in this field: Frontex-the border management agency, that relies on Member States for hands-on implementation and, as of mid-2011, The European Asylum Support Office (EASO). There is no agency devoted to the implementation of legal migration policies. For this reason, implementation is delegated to the Member States, or when appropriate, to international organizations like International Organization for Migration(IOM), or The United Nations High Commissioner for Refugees(UNHCR), or the International Center for Migration Policy Development(ICMPD)(3).

In my opinion, policies on brain drain at the EU level have to be drawn on three key points:

- analysis of the migration: policies in the Member States, trends in R&D, dynamics of innovation and research in Europe and competitor countries;

- a mechanism for cooperation between european sending and receiving countries, in order to limit the negative effect of the human capital drain;

- a genuine partnerships between EU and US (the favourite destination country of european brain drain) based on an improved coordination between EU players in international science and innovation and USA.

4. Conclusions and a way forward

Responding to the effects of the global crisis on brain drain is a difficult and complex work. The levels of response described above are interrelated and under the pressure of the social and economic facts.

In the context of ongoing economic and demographic changes, flexibility and the ability to learn from domestic and international experiences lie on the heart of effective brain drain policies, at any level: microeconomic, macroeconomic or european.

A deeper cooperation between sending and receiving countries is required for an effective management of the brain drain process, that can be beneficial for all parties involved. For example, there are several ways to improve the cooperative relationship between European Union and United States on brain drain policies(movement of professionals, ongoing dialogue and exchange of good practices).

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Impact of World Economic Crisis on the Competitiveness of South-East Europe

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Abstract

The deep crisis that crosses the American financial system, a real challenge for the proponents of globalization, has sent a strong shock wave throughout the global market, and the effects they can cause a systemic reconfiguration requires adaptation of the instruments of intervention. This crisis is not reversible, meaning that we will not back where we started, when the crisis will be overcome, as we enter into an era of increasing international regulations on financial markets, and from the perspective of States, in a prolonged period of high inflation and large deficits. The spread of these effects makes the uncertainty regarding economic developments of the variables to be extremely high, which helps to enhance the crisis by the negative effects it has on the expectations and increasing the degree of caution at the level of consumers and economic structures.

Key words: uncertainty; competitiveness; financial crisis; global market.

J.E.L. classification: G 01

1. Introduction

Over the past decade, South-East was subject to dramatic transformations. Progress in democratic reforms, economic development, regional cooperation and integration in the global economic and financial market have been inconceivable 10 years ago and are unprecedented in modern history of the region. But 2009 proved to be a difficult year for the Balkan economies. The financial crisis that began to affect Western markets in the second half of 2007 has gotten harder in the South-Eastern Europe, but in the last quarter of 2008, it was clear that the

region will face a major economic crisis. In early February 2010 there were signs that production has begun to stabilize. However few people expects big growth rates similar to previous years, to return in the near future.

2. Focuses on the world economic crisis on the global economy

The origins of the world economic crisis are already well known. They are the result of unsecured loans and real estate market downturn in the United States. Problems in the United States and in several other big economies, such as the United Kingdom, have become evident in the second half of 2007, and this situation has deteriorated rapidly in industrialized economies. United States went into recession in the last quarter of 2007, Japan in the first quarter of 2008, Germany in the third quarter, United Kingdom in the last quarter of 2008, and France in the first quarter of 2009.

In mid 2008, it was clear that the global financial system shock was so strong as it has happened since the great depression of the 1930s. At that time, the economies of South-Eastern Europe were still rising. Many people here seem to not know or may not be affected by what is happening worldwide. Banks have continued to aggressively gain market share, both on the liquidity and assets. Foreign direct investment in the region record amounts and growth continue. Over the first eight months of 2008 there is still this feeling that South-Eastern Europe will escape the effects of the crisis.

Business and Government were optimistic, following several years of strong growth in combination with macroeconomic stability, strong and positive investment support received through the integration into the European Union States in the region. In fact, the care of many countries macroeconomic

from South-East was not that will be affected by the crisis, but rather how to deal with inflation began to increase sharply, mainly because of higher oil prices and consumer goods.

The situation began to change notably in September 2008. The collapse or the nationalization of large financial institutions in the United States, such as Lehman Brothers, AIG, Freddie Mac or Fannie May has caused global crisis which everyone understood how serious it is and that no country is immune to its effects. However, the belief that time was in South-Eastern Europe will take place and a consequential slowdown of progress towards the end of 2008 and in 2009, but the results would remain positive in all scenarios.

3. The effects of the economic crisis on competitiveness of countries in South-Eastern Europe

The extent to which economists have underestimated the severity of the crisis may be demonstrated by means of two examples: the first column of the table 1 compares forecasts for growth of gross domestic product in 2009 compared to October 2008 with the actual statistics of 2009 offered by the International Monetary Found, and the second column shows the same data and predictions on the 2008 real 2009 statistics provided by the European Bank for reconstruction and development. The difference is amazing: in Macedonia was recorded by 7.5% less than expected a year

ago and more than 13% in the case of Romania (was expected an increase of 4.8% in 2008 and it was registered -8.5% in 2009).

Table 1. GDP growth forecast for 2010

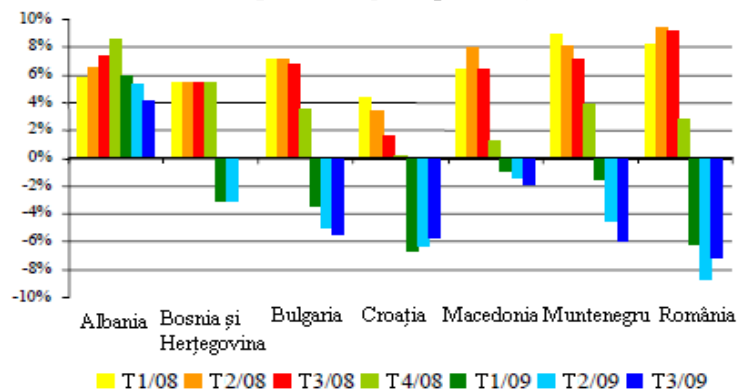
Country	FMI		BERD	
	Oct 2009	Oct 2010	Oct 2009	Oct 2010
Albania	6,3	0,7	5	3,0
Bosnia și H.	5,0	-3	4,5	-3,1
Bulgaria	4,2	-6,5	3,8	-6,0
Croația	3,7	-5,2	2,0	-5,4
Macedonia	5,0	-2,5	4,7	-1,6
Montenegro	5,0	-4	5,0	-4,1
Romania	4,8	-8,5	3,0	-8
Serbia	6	-4	3,0	-4

Source: FMI, BERD

Monthly data on industrial production and gives them an idea of the time when the crisis began to hit the region. In October 2008 all countries had negative growth in industrial production with the exception of Bosnia, which has received a large refining reopening. In 2009 there are some signs of growth in most countries, even in Montenegro where the statistics are very small, reflecting the continuing difficulties faced by the major national companies. These data do not include the majority of economic activities in the region, which are dominated by services.

The magnitude of the recession in 2009 may be also measured by the value of exports, most countries having yet another positive growth in the last quarter of 2008, but the effects of the crisis you see better in early 2009.

Graph 1 – Export quarterly



Source: BERD

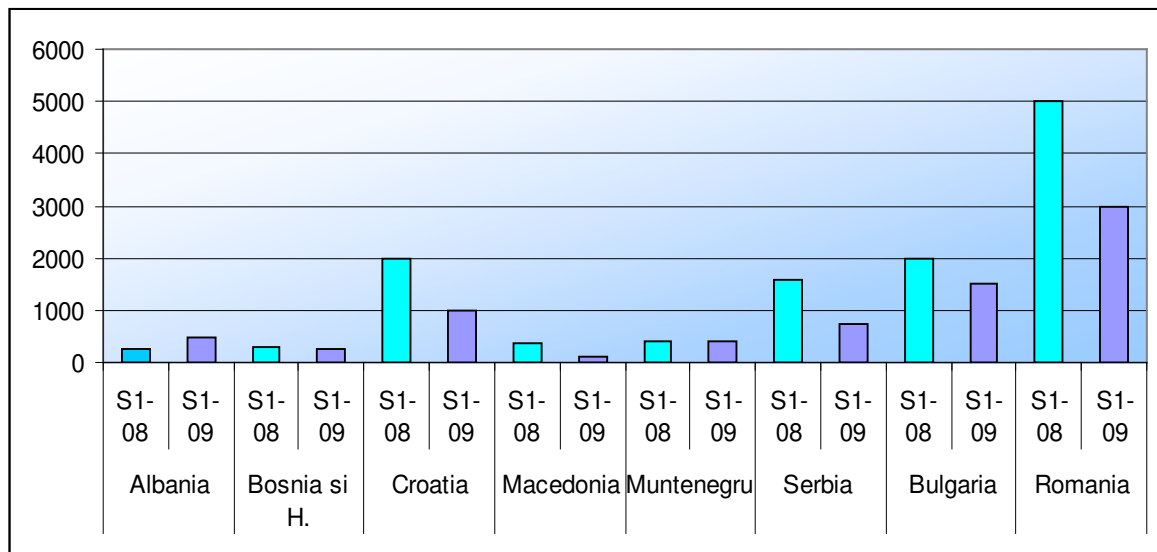
Decline in economic activity has had a significant impact on other macroeconomic variables such as inflation, government deficits and current account deficits. It also was expected to show a negative effect on unemployment and poverty, increasing the possibility of social unrest.

Inflation was threatening to become a serious problem again in mid-2008, with a two-digit level at that time in Bosnia and Herzegovina, Bulgaria, Serbia and Montenegro. Decline in domestic demand, combined with the steep fall in the price of oil and other natural resources of the second half of 2008, contributed in some cases when the lowest rate of inflation seen in this region. Bulgaria has gone from the highest rate in the region in the first half of 2008 to one of the lowest in the present, and Bosnia and Herzegovina has reached even to deflation. In the case of Romania and Serbia—two countries which have had difficulty in keeping inflation under control—less inflation has allowed a significant reduction in monetary policy rates.

In a similar way, current account deficits have decreased significantly during the crisis, following a steep fall in imports was more than counterbalanced the decline in exports. As a percentage of GDP, the deficit for 2009 was estimated at more than 10 percentage points in Bulgaria and Montenegro and the good values in Romania and Serbia.

Even at lower levels, current account deficits must be financed; otherwise the effect will be seen through a loss of foreign reserves. The region has invoked this funding and has received a lot of foreign direct investment, which entered the region in significant quantities, culminating with a record of \$ 32.5 billion in 2008. But last year foreign direct investment decreased steep on average almost 50% in the first half of the year. The magnitude of the reduction varies by country, Albania and Montenegro have seen an increase due to significant privatization offers: a petroleum refinery in Albania and in the energy sector in Montenegro.

Graph 2 – Foreign direct investment into millions \$



Source: Sanfey, Peter, „South-eastern Europe: lessons from the global economic crisis”

While the process of integration has brought enormous benefits to the region over the past ten years, the negative side is that any crisis that originated elsewhere will affect the region, regardless of the actions that are taken to mitigate the effects. In the case of South-Eastern Europe, the fall in production has many causes. Three explanations are particularly important. First,

foreign demand in key export markets had fallen drastically, especially for certain key products that are now produced in the region. Secondly, access to finance has become more difficult or expensive, which is a serious impediment to the operation of enterprises in the region. And third, the volume of money transfers has fallen slightly, which is reflected in the reduction of domestic

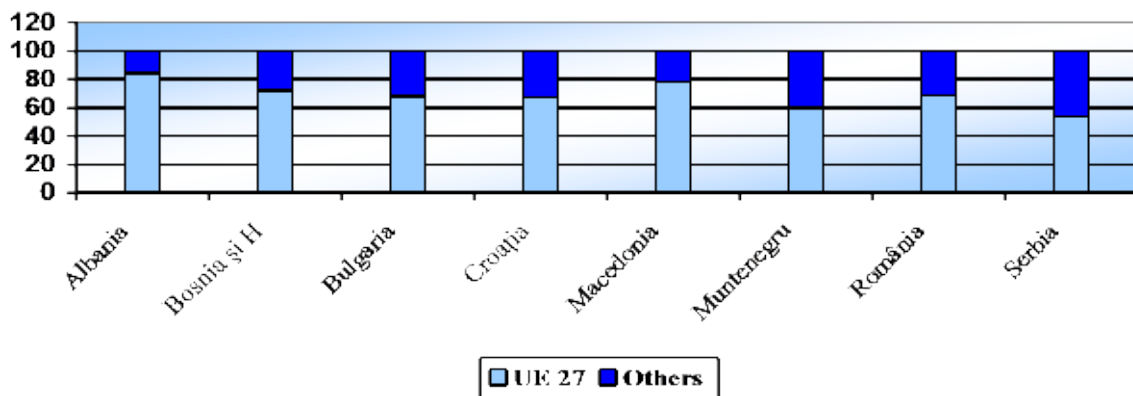
demand, and the impotence of the development of small enterprises.

In the first half of 2008, most countries had exports growing at about 30-40% from month to month. Since September 2008, the demand from abroad and exports collapsed, at a level of 40% in early 2009. As the other factors described above, there are signs of stabilising, with the possible exception of Croatia (in view of the exceptionally rapid growth).

In order to gain a better understanding of the causes that have led to a reduction in exports, it is important to point out what countries and where it is exported. In recent years, many countries in the region have specialized in certain key sectors. Steel sector is particularly important in Bosnia and

Herzegovina, Macedonia, Romania and Serbia. Aluminium is the principal export product in Bosnia and Herzegovina and Montenegro. Romania has a strong automotive industry through the Dacia plant (now owned by Renault). Tourism is an important part of the Bulgarian, Croatian economy and muntenegrine. All these industries were particularly affected by the global recession, and this is a major factor behind the decline in production in the region. Exposure to the EU-27 has offered little protection; exports had tended to perform poorly even though they were made by the European Union or not (such as Macedonia, where 78% of exports were in the EU or Serbia, where just 54% of exports go to EU member countries).

Graph 3. Exports to countries in South-Eastern Europe (in 2009)



Source: Sanfey, Peter, „South-eastern Europe: lessons from the global economic crisis”

Banks and other financial institutions have been leaders of the drivers of economic growth over the last decade, but also of increasing vulnerability. Virtually all countries in the region had four or more years of expansion of crediting, defined as the total annual growth rate of loans in the economy by more than two percentage points of GDP. The most extreme example is Montenegro, where increased funding at some point was almost 200% (from month to month). The effects of this growth could be seen in different ways. Many small and medium businesses have prospered because they have accessed loans at reasonable prices, perhaps for the first time in their existence. The population enjoyed the new capability to buy consumer products, as well as mortgages for the purchase of properties. A rapidly growing real estate market has become evident in the

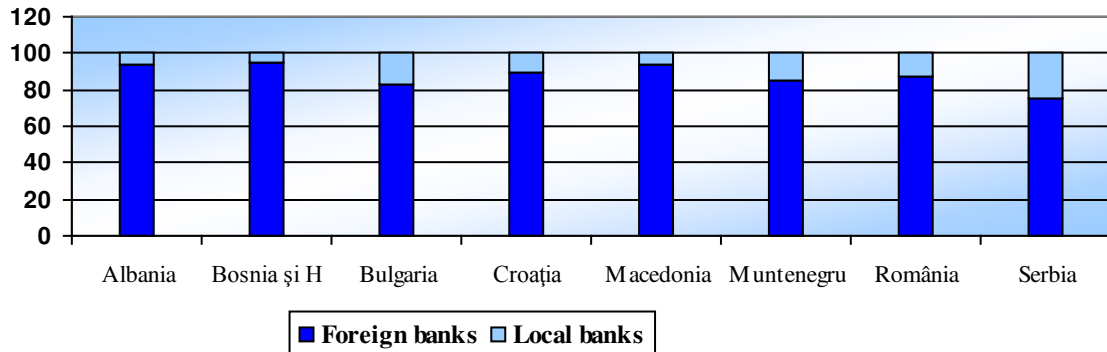
main cities of the region-Bucharest, Belgrade and Sofia, as well as in coastal tourist area as well as in Bulgaria, Croatia and Montenegro.

The crisis has contributed to a dramatic slowdown in lending growth. In most countries, increased access to credit was still positive (November 2009), but has fallen to a level expressed in a single digit. In contrast, growth in lending in Bosnia and Herzegovina, Croatia and Montenegro has already become negative toward the end. The most important reason for which the credit has not been stopped completely must lie in the fact that foreign banks dominate the region and, as recent research has demonstrated a high presence of foreign banks has contributed to mitigating the capital outflows. Graph 4 indicates the percentage of the total foreign capital banks in each country. The figures range from 75%

to 95% in Serbia in Bosnia and Herzegovina. In other words, foreign banks in control of the banking sector in the region, with all the

benefits and risks incurred by this domination.

Graph 4. The share of foreign banks in banking (in 2009)

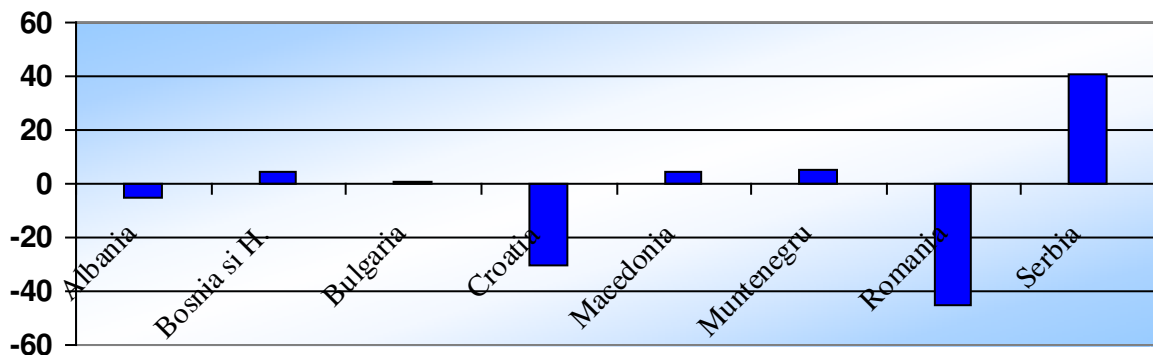


Source: Sanfey, Peter, „South-eastern Europe: lessons from the global economic crisis”

Finally, the crisis has affected the transfer of money, which proved to be a vital source of currency over the years for most of the region, as well as a lifebuoy for many families and small businesses. Graph 5 below describes recent reports on changes in the percentage of money transfers (2nd quarter of 2008 compared with the 2nd quarter of 2009). A few countries indicates a significant

decrease, in particular Romania and Croatia. However, data indicates that the transfers seem to have stabilized in Bosnia and Herzegovina, Macedonia, Montenegro and Serbia have increased significantly because of unexpectedly large an influx in the second quarter of 2009. In Bulgaria, money transfers of workers increased slightly, by 0.5%.

Graph 5. Percentage changes of money transfers



Source: Sanfey, Peter, „South-eastern Europe: lessons from the global economic crisis”

4. Conclusions

The global economy still has many unknowns, and the impact of the current turmoil on the global market is difficult to predict and quantify. Transmission and spread of a crisis within the main global economic structures relate to interaction: the involvement of the "actors" in the markets, the risk assessment in the framework of global relationships and increased price risk affecting all types of financial instruments.

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Particularities of the Intangible Assets Evaluation in Terms of Financial Crisis

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Abstract

Intangible assets include all assets that have no physical form, but which contribute, directly or indirectly, to obtaining a business profit.

Taking into consideration the analysis of our study, the conclusion of the paper is that in Romania, the evaluation of intangible assets is rarely used due to extremely poor casuistry. From a sample of 100 companies we analyzed, only 4.5% revealed the existence of intangible assets with values higher than 3% of the total assets and none of the companies reviewed these assets. In crisis conditions, the study concludes that the companies' value decreases (Bad Will), and while economic growth. The value of companies increases (Good Will). An effective leadership during crisis may contribute to the evaluation of intangible assets as a method to increase the liquidities of the company, by not paying the income tax.

Key words: residual value, Bad-Will, Good-Will, savings

J.E.L. classification: M41

1. Introduction

In the economic theory dated to the beginning of the third millennium, there are frequently used concepts of intellectual capital, intellectual property, industrial property or intangible assets. The differences between these concepts consist mainly in their coverage area. For the first time, the classification and the evaluation methodology of intangible asset was

presented in the International Valuation Standards, Sixth Edition, 2003, in GN4 - Evaluation of Intangible Assets [1]. The approach of the intangible assets' value was determined by the dramatic increase of these assets balance in within the total assets owned by companies from 5% in 1978 to 72% in 1998 and to 75-85% present. [2]

The most known intangible assets are classified into trademarks, patents, know-how, contracts, research – development projects, software and commercial capital. Practically, there are applied, just like in the case of tangible assets, three approaches (by cost, comparison and income) and many other methods of evaluation among which the best known are: the residual net profit, economic benefit, over profit capitalization, future net profit upgrade, contribution to profit, exemption from fees and residual method [3].

Many of the intangible assets owned by companies (or more correctly, by most enterprises in Romania) are not included in their balance sheet. In my view, the intangible assets should be included in the balance sheet of the business for at least two reasons:

1. in order to better reflect the company's potential for development;

2. as a form of defence of the company against the abuse the state and local authorities taxing

The fact is that there are standing points coming from the national and international organizations, accountants and of companies 'evaluators, to create an unified vision for the recognition of the value of these assets in financial situations and consequently, for their credible and questionable evaluation.

2. The management of intellectual capital

Since 1990, especially after 2000, once with the unprecedented development of the economy based on knowledge, in the literature on management, it was introduced the concept of **intellectual capital**. The intellectual capital of an enterprise is being frequently referred to as the source of income of a company and the mean to increase the competitive advantage. Therefore, in the theory enterprise management, it emerged the newest economic discipline and practical direction meaning "**intellectual capital management firm**." The evaluation of a company's intellectual capital is a separate chapter or field of this discipline, with over 20 intellectual capital evaluation methods.

3. Similarities between the valuation of tangible and intangible assets

In the literature of specialty [4], **an initial** similarity between the valuation of tangible and intangible assets, lies in the fact that both types of assets are evaluated through the same three approaches:

- a. by costs;
- b. by comparison;
- c. by income.

A second similarity has in view the concept of value, meaning that both types of asset value are due to a subjective assessment, based on some assumptions which lead to a financial perception in the head (mind) of every person interested in a transaction involving assets. In my opinion, **the third similarity** between tangible and intangible assets valuation is the use of common concepts which leads to determining the value of an asset such as: the capitalization rate, discount rate, the increase in gross domestic product, basis risk, replacement cost rent, total revenues, total costs, depreciation, gross profit, net profit, dividend tax, cash flow, etc.

4. Differences between the valuation of tangible and intangible assets

I did not encounter in practical cases and neither in economic theory references or some direct assessments on differences

between the methods for the valuation of tangible and intangible assets. Therefore, I would like to present further an opinion resulting from the works required by the Court Law or Court Judgement and by the economic agents from Galati - Braila area, and those I have done in my accounting office with a part of my collaborators.

The main difference lies in the degree of market data interpretation: there is a restricted interpretation to tangible assets, while to intangible assets; there is a probable interpretation, imaginative, of scenarios, of future capacity evaluation. Obviously, in the case of intangible assets imagination, flair, experience and luck play an important role.

A second distinction consists, in my opinion and that of my collaborators, in the diversity of methods for estimating value: about 10 methods for tangible assets and over 20 methods for intangible assets.

A third difference, lies in the degree of ingenuity when choosing the appropriate method for evaluating an asset. If a tangible asset, imagination plays a role less important, while for the intangible asset, I would say that imagination has no limits. The more ingenious you are, the more you can determine a value much closer to reality, meaning in an actor's perception with respect of selling and buying.

5. The particularities of the intangible assets evaluation

We further present a short synthesis of the main particularities of the intangible assets evaluation in the view of Sorin Stan and his collaborators [5], in order raise the readers' awareness on the issues and diversity of information necessary to the intangible assets evaluation.

Table no. 1. Characteristics of intangible assets evaluation

Identifiable intangible assets	Preferred evaluation methods (p) and the secondary one (s)	Orientated level of the actualization rate	Critically problems of the method
Management software	Recreation cost (p)	> cmpe	The depreciation quantification The expenditures area
	Comparison method (p)		Insufficient information's
	Profit		Profit allocation

Identifiable intangible assets	Preferred evaluation methods (p) and the secondary one (s)	Orientated level of the actualization rate	Critically problems of the method
	contribution		
Trained labour	Replacing Cost	cmpe	Historical share of the costs of recruiting, hiring and training of total salary costs
	Profit contribution		Insufficient information's
	Comparison method (s)		Profit allocation
Patents	Costs savings (p)	cmpe	The economical life rested period
	Royalty free	cmpe	idem
	Updating allocated surplus profit	cmpe	idem
	Recreation cost (s)		The expenditures area Depreciation and high risk
Licenses / franchises / authorizations	Profit advantage (p)	cmpe	May be issued on limited terms or renewable (so, forecasted)
	Profit contribution (p)	cmpe	
	Costs savings (p)	cmpe	
Product Brands	Royalty free (p)	cmpe	Forecast
	Updating allocated surplus profit (p)	cmpe	Forecast
	Profit contribution (p)	cmpe	When could not be applied the previous methods, idem
	Recreation cost		The expenditures area and theirs updating
Contracts (advertising, purchase, rental)	Updating allocated surplus profit (the unique method)		Different level of the actualization rate
Employment contracts	Economies update generated by a key person		The economical life rested period
Copyrights	Royalty actualization	Different rates	The fixing of two actualization rates
Non-proprietary manufacturing technology secrets, know-how	Updating allocated surplus profit (p)	> cmpe	The economical life rested period; The highly risk quantification
	Costs savings (p)	> cmpe	
Customer Lists	Recreation cost (p)	cmpe	The economical life rested period;
	The allocated profit	cmpe	

Identifiable intangible assets	Preferred evaluation methods (p) and the secondary one (s)	Orientated level of the actualization rate	Critically problems of the method
	actualization (p)		
	Comparison method		Insufficient information's
Non-compete agreement	The difference between CFN with and without Non-compete agreement (p)		The concurrence period and the turnover reducing probability
	The profit loose actualization (p)		idem
Industrial drawings	Recreation cost (p)		Depreciation estimation
	Profit contribution (s)	cmpe	The economical life rested period;
Technical library and archive	Recreation cost (the unique method)		The expenditures area
Unfinalised researching and developing projects (IPR&D)	The allocated profit actualization (p)	> cmpe	Residual net profit determination allocated to the researching and developing projects
	Recreation cost (s)		The economical life rested period;

Source: Stan. I and collaborators, named paper, pg. 90-91

6. Case study

The approach based on assets, also known as the patrimonial approach, the approach based on costs or the approach through cost replacement, lies in correcting (adjusting) the book value of individual assets and the enterprise liabilities towards transforming them market values. In this approach, there are included two evaluation methods, that of:

- net adjusted asset (NAA)
- asset liquidation or net liquidation value (NLV).

According to GN6 - "Business Valuation", the asset-based approach lies in "estimating the value of an enterprise and / or of participants using methods based on the market value of the individual enterprise's assets, minus debts." [6]

The above definition corresponds to the essence of the NAV method. This method directly calculates the amount of capital to shareholders (ACS). Therefore:

NAV= the market value of assets - market value of debts

The application of the ANA method requires several steps to follow and the most important are:

- Getting the balance sheet or trial balance, on the date of valuation;
- Valuation of assets and liabilities, which could mean:
 - taking a book value if corrections are not justified on that value,
 - book value transformation of some assets and liabilities into market value;
- Developing "economic balance" and calculation of net adjusted asset.

The method presupposes hiring a large volume of work from the evaluation team because it implies dividing the enterprise into distinct fractions which must be evaluated individually.

7. Summary of application NAV method

After covering all steps for the evaluation of the assets' categories, which requires corrections of their book value, as well as of debts, the synthesis and calculation will be registered into a table.

Some synthetic conclusions deduced from the asset-based approach are:

- Adjusted net asset method (ANAM) was applied on the assumption that the evaluated company will continue its normal activity in a foreseeable future. The other method of assessment, included in the asset-based approach, but in the event of closure, is called net liquidation value method (NLV).
- Through the ANAM method it is calculated the shareholders' amount of capital and not the amount of invested capital
- ANAM reflects a control value, respectively a control value of shareholders' capital because the buyer has the opportunity to decide the sale of some assets or of all acquired assets.

Table no. 2. Net Asset Accounting to 31/08/2011:

- lei	
INDICATOR	31.08.2011
A.NON CURRENT ASSETS	
II. TANGIBLE ASSETS	1.923.987
III. FINANCIAL ASSETS	1.477
NON CURRENT ASSETS - TOTAL	1.925.464
B.LIQUID ASSETS	
I. STOCKS	3.092
II. RECEIVABLE DEBS	357.152
IV.PETTY CASH AND BANK ACCOUNTS	31.617
LIQUID ASSETS - TOTAL	391.861
D. DEBTS: SUMELE CARE TREBUIE PLĂTITE ÎNTR-O PERIOADĂ DE PÂNĂ LA UN AN	1.007.423
E. NET LIQUID ASSETS / NET CURRENT DEBTS	-615.562
F. TOTAL ASSETS LESS CURRENT DEBTS	1.309.902
J. CAPITAL AND RESERVES	
I. CAPITAL (rd.22 + 23 + 24), WHICH:	1.029.600
- SUBSCRIBED CAPITAL PAID	1.029.600
III. REVALUATION RESERVES	1.201.716
IV. RESERVES	45.826
V. PROFIT OR LOSS REPORTED(Ă) BALANCE D	995.671
VI. PROFIT OR LOSS FINANCIAL YEAR BALANCE C	28.431
EQUITY OWNERHIP - TOTAL	1.309.902
CAPITALS - TOTAL	1.309.902
TOTAL ASSETS	2.317.325
Current debts	1.007.423
The net asset accounts	1.309.902
Number of shares	80.000
Action Value (accounting) - Lei / Action	16,37
Action value accounting – (EURO)	3,84
Nominal Value - (RON)	12,87
Nominal Value - (EURO)	3,02

Source: Own contribution

In order to determine the adjusted net accounting asset (ANAA), there were used specific techniques to the nature of the analyzed balance elements. The analysis results of the evaluated patrimony are presented in the annexes bellow. The applied balance adjustments refer to the revaluation of fixed assets and debts, as follows:

Table no. 3. Adjusted Net Asset Accounting

Element's name	Nr. rd	Balance 31.08.2011	Correct ions	Values corrected
A.NON CURRENT ASSETS				
II. TANGIBLE ASSETS	2	1.923.987	395.090	2.319.077
III. FINANCIAL ASSETS	3	1.477	0	1.477
NON CURRENT ASSETS - TOTAL (rd. 01 AT 03)	4	1.925.464	395.090	2.320.554
B.LIQUID ASSETS				
I. STOCKS	5	3.092	0	3.092
II. RECEIVABLE DEBS	6	357.152	0	357.152
IV.PETTY CASH	8	31.617	0	31.617

Element's name	Nr. rd	Balance 31.08.2011	Correct ions	Values corrected
AND BANK ACCOUNTS				
LIQUID ASSETS - TOTAL (rd. 05 AT 08)	9	391.861	0	391.861
D. DEBTS: SUMELE CARE TREBUIE PLĂTITE ÎNTR-O PERIOADĂ DE PÂNĂ LA UN AN	11	1.007.423	-417.197	590.226
E. NET LIQUID ASSETS / NET CURRENT DEBTS (rd.09 + 10 - 11 - 19)	12	-615.562	417.197	-198.365
F. TOTAL ASSETS LESS CURRENT DEBTS (rd.04 + 12)	13	1.309.902	812.287	2.122.189
J. CAPITAL AND RESERVES				
I. CAPITAL (rd.22 + 23 + 24), WHICH::	21	1.029.600	0	1.029.600
- SUBSCRIBED CAPITAL PAID	22	1.029.600	0	1.029.600
III. REVALUATION RESERVES	26	1.201.716	395.090	1.596.806
IV. RESERVES	27	45.826	417.197	463.023
V. PROFIT OR LOSS REPORTED(Ă) BALANCE C (ct. 117)	31	0	0	0
BALANCE D (ct. 117)	32	995.671	0	995.671
VI. PROFIT OR LOSS FINANCIAL YEAR BALANCE C (ct. 121)	33	28.431	0	28.431
BALANCE D (ct. 121)	34	0	0	0
EQUITY OWNERHIP TOTAL (rd. 21+25+26+27-28+29-30+31-32+33-34-35)	36	1.309.902	812.287	2.122.189
Public heritage	37	0	0	5.424.830
CAPITALS- TOTAL (rd. 36+37)	38	1.309.902	812.287	7.547.019
TOTAL ASSETS		2.317.325	395.090	2.712.415
Current debts		1.007.423	-417.197	590.226
Long-term debts		0	0	0
The net asset accounts		1.309.902	812.287	2.122.189
Adjusted net asset		2.122.189		
Number of shares		80.000		
Action Value (accounting) - Lei / Action		16,37		
Action Value (corrected) - Lei / Action		26,5273625		
Round action Amount (corrected)		26,53		
Action Values (Nominal)		12,87		

Source: Own contribution

Debt assessment was made by taking into account:

- Minutes, no. 6277/04.03.2010 concluded by the Regional Naval Directorate, Galati
- Decision of the Ministry of Finance - National Tax Administration Agency nr. 263/31.07.2010
- Control Order. 490/28.10.2009
- Minutes dated to 15.12.2009 and concluded by the National Naval Authority - Regional Naval Directorate, Galati
- Minutes, no.11497/20.04.2010 of the Regional Customs Directorate, Galati
- Background checks on DRAOV Galati.

S.C. COMBI GROUPS S.A. owns a building (more specifically a block of flats - Basement + Ground Floor +5 levels), 283.22 square metres ground surface built, 1946.23 sqm area estimated by the evaluator and a garage, built on the ground surface of 484.78 sqm.

The value of shares was made in accordance with the provisions of the International Valuation Standards and consisted in determining the company's value based on the method of the adjusted net assets.

According to the ANAM, it results the following reconfiguration the contribution:

Table no. 4. Contribution Configuration

Name	Share in the profits and losses	After evaluation (Ron)	After evaluation (euro)
Shareholder 1	0,01%	212,22	49,82
Shareholder 2	0,60%	12.733,13	2.989,21
Shareholder 3	0,13%	2.652,74	622,75
Shareholder 4	0,13%	2.652,74	622,75
Shareholder 5	0,13%	2.652,74	622,75
Shareholder 6	98,80%	2.096.616,62	492.198,19
Shareholder 7	0,04%	848,88	199,28
Shareholder 8	0,03%	636,66	149,46
Shareholder 9	0,06%	1.273,31	298,92
Shareholder 10	0,03%	636,66	149,46
Shareholder 11	0,03%	636,66	149,46
Shareholder 12	0,03%	636,66	149,46
TOTAL	100,00%	2.122.189,00	498.201,52

Source: Own contribution

8. Conclusions

The evaluation of intangible assets is conducted in accordance with the International Valuation Standard 4 - NG 4. Intangible assets include all assets that have

no physical form, but which contribute, directly or indirectly, to obtaining a business profit. The best known intangible assets are classified into trademarks, patents, know-how, contracts, research – development projects, software and commercial capital. Practically, there are applied three approaches: by cost, comparison and income.

In Romania, the evaluation of intangible assets is rarely used due to extremely poor casuistry. It was noticed that in crisis times the companies' value decreases (Bad Will), and while economic growth. The value of companies increases (Good Will). An effective leadership during crisis may contribute to the evaluation of intangible assets as a method to increase the liquidities of the company, by not paying the income tax.

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The Impact of the Global Economic Crisis on the Local Economy. Case Study Pitesti City

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Abstract

The economic crisis are started in 2007, on the American continent, he recorded in time an expansion on around the world. The Economy represent the source of oxygen for each country, depending on the level of economic development, the country can register a positive or negative trend on the standard of living.

The natural resources currently available for mankind, must be used with precision, with a definite purpose. Use resources in a precise scope and a corresponding proportion, influenced the economic conditions for next generations.

The economic decline registered in the United States of America, was noted in our country since 2009, including the city of Pitesti, at the beginner level, but, over time this decline was deepened. The most important effects caused by the economic crisis are: reducing production capacity, the cessation of production in the manufacturing units, disappearance of jobs and decrease of the investment [1].

Key words: economic crisis, reducing of the investment, layoffs.

J.E.L. classification: O1; O11

1. Introduction

The city of Pitesti was relealed in many works of different authors, the researches having like theme various aspects from areas such as geography, history, economics, urban planning, architecture and others. Among the most remarkable works on the city of Pitesti, mention „History of Pitesti city” (Popa P., Dicu P. Voinescu S., 1988), „Water resources in the High plain of Pitesti and Pitesti city water supply” (Posirca Rozica, 2004), „Pitesti. Tradition and contemporary” (Popa

P., Dicu P. Voinescu S., 2008), „Urban ensemble medieval Pitesti” (Greceanu Eugenia, 1982). Important data on the economy Pitesti are highlighted in various studies and works such as General Urban Plans, Local Agenda 21 and Integrated Plan Urban Development.

2. Materials and methods used

The materials used from this study are represented by the statistic and economic dates on economic activities and population trends in the analyzed period, these data were provided by the direction County of Statistic Arges and Pitesti city Hall and various studies on urban economy. Like methods used in the current study may be mentioned: the method of collecting statistical data on economy and population, method of examination the information, questionnaire method and the explanation method [2].

3. Case study

Pitesti is the most developed urban center, both economically and in number of inhabitants, compared with other localities in the county of Arges. Located in the central part of the county at confluence Arges River with Doamnei River, in a transition zone between two different geographical regions, area of hills and plains, the city of Pitesti has developed both under the influence of natural factors and anthropogenic.

One of the important factors on the development of the city was the economic factor. Economic activities were those that influenced the development of the city since ancient times. The first economic etivities in the city where those of crafts and trade [6], and then the economy has seen a diversification of industries, but also an evolution in terms of production capacity. Location of the city at the crossroads of

important trade routes influenced the practice of trade from ancient times, by merchants and craftsmen, both within the inside city of Pitesti and other localities, with products from those places.

The local economy has developed over time, the number of industrial units has grown and diversified aspect that influenced the increase in population within the city. Due the development of industry, the commercial sector recorded a decline, so, a good part of the population of the city was framed in the industrial sector, and at the beginning of socialist period the industry represented the main branch of economy [2]. At the present it seems that we are witnessing a new reclassification, respectively the industry sector recorded a drop in front of the tertiary sector, especially commercial field. This change is mainly due to the flow of commercial complexes (hypermarkets and malls) what have emerged especially after year 2002. It may indicate that by the occurrence of these comercial complexes started a new „era” in trade activity. These commercial complexes are located both within the municipality, but, and on the outskirts of Pitesti city, on the villages territory limitrophe, mainly due to lower land costs and higher ongoing surface. Much of the employed population from Pitesti, working in these comercial complexes. Their location within the urban area was made taking into account various aspects such as the use of vacant space, or redevelopment of an area being used for other activities. This last aspect has influence on surface modification for cartain functional areas. Some of them have low surface, it's case the industriale area, while others increased their surface, such as commercial area, by arrangement of hypermarkets and shopping malls. Currently the number of these comercial complexes is enought, given the population from Pitesti city, but also localities population neighboring. If the number of these comercial complexes will continue to grow, there will be an overcrowding, which will influence in the future suppression of some of them.

Regarding the economic crisis appearance that affected the national economic situation, in Pitesti city this problem has made its presence felt through massive restructuring in the production capacity in the industrial

units, the number of employees, rising unemployment, closure of certain industrial units, reducing wages and other problems that have impeded or negatively affected the economic situation locally.

The economic crisis is the second important issue for the local community, with the period after privatization of economic entities, especially after year 1997, when the Law no. 15 of August 8, 1990, allowed after a set period, some action on production and staff profile [4]. The consequences of the privatization process were represented by renaming unit, changing production profile and reduce the number of employess. By such measures the number of people employed in industry fell, much has been readjusted to other sectors like commercial sector, wich to outlined very well lately.

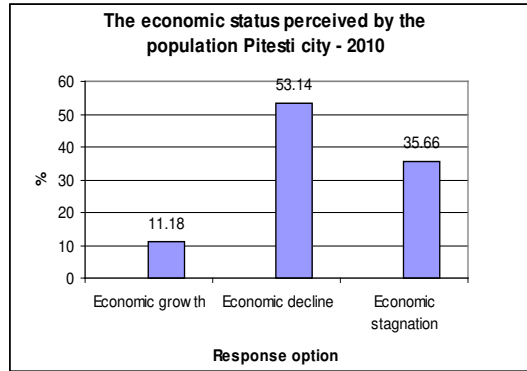
The present study includes information that was obtained by achievement of a questionnaire on population perception, conducted on a sample of 350 people in Pitesti, consisting of 20 questions. This method is commonly used in recent years, of numerous researchers in carrying out various studies.

The questionnaire was applied to a sample of 350 people aged over 18 years who working in different areas, and some questions are about economic issues within the urban area, respondents answers are beneficial to achieve the current study.

Thus, the questions „*At present, the city of pitesti is characterized by: a) economic growth, b) economic decline, c) economic stagnation*”, respondents answers were the basis to achieving the graph in figure 1.

Looking at figure 1, we see that the lowest percentage of responses is recorded by economic growth, these it was perceived by 11,18 % of the population, followed by economic stagnation by 35,66 %, and a most part of the people questioned, respectively 53,14 %, to perceived the economic status of Pitesti city, in present, as a economic decline.

Figure 1. Questionnaire results – question 13



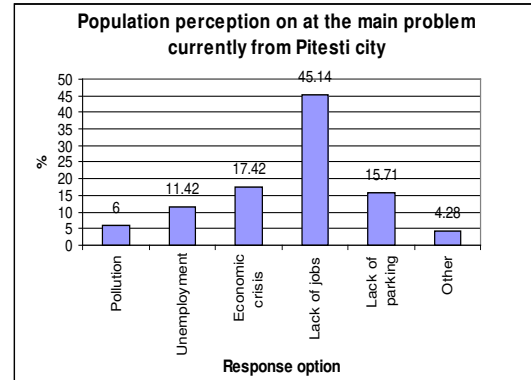
The most important aspects that influenced the population in choosing the response of decreasing economic, are related primarily to the economic crisis manifested by closing certain industrial units and therefore dismissal of the number of employees.

The questionnaire also included a question with free response of the respondents, the main reason being a population perception of the main problem currently in Pitesti („What do you think is the main problem facing today Pitesti city?“). Can we wonder why we included this question in the questionnaire? Represent a question that people can answer freely, without replies, and after analyzing the responses it can be concluded which is the main problem encountered in the city of Pitesti.

After processing and analyzing responses of respondent population, we found that the main problem existing in the city of Pitesti is related to the economy sector. In figure 2 are represented the weights for the variants of answers, from the questioned population, thus, the population believes that the main problem in Pitesti is the lack of jobs (45,14 %). Restructurings carried out in industrial units, the reduce of production, the downsizing and finally closing the unit, are the causes that led to an increase in unemployed persons.

With a rate of 17,42 % are the answers what considers that the main issue of the city, the economic crisis. The other responses showed lower values, namely, lack of parking 15,71 %, the unemployment 11,42 %, the pollution 6 % and at the category other problems (such as homelessness, stray dogs, bureaucracy, lack of young people, traffic congestion) the result is 4,28 %.

Figure 2. Questionnaire results – question 20



In conclusion, lack of jobs, is the most important issue facing the city of Pitesti today. This situation has created, in particular due to industrial restructurings that occurred in the system, both in terms of production capacity and the number of employees. In some cases the industrial units have stopped work activity and entered the stage of liquidation.

Regarding the recovery situation existing from the present the state departments charged with such problems, must adopt certain projects and programs to restore and bring to a normal state, the industrial situation. Perhaps one of the solution on restoration of favorable economic situation in the city is the implementation of projects to strengthen the industrial parks. As a location, industrial parks are located within existing industrial sites, through a reorganization of existing space and facilities. Because the administrative area of the city is low compared to other urban areas of the same rank, the space should be managed and used after well-established criteria, for a more efficient use.

Between the directions for development of strategic Pitesti city, the most important, at local level, are being outlined as follows [7]:

- Creating an economic environment, competitive and attractive for business local and foreign investment, which to enable the development of entrepreneurship;
- Development of a performance economy, sustainable and environmentally friendly, through effective management of local economic development;
- Effective management of local government activity;

Pitești is one of the country's major urban centers what must to be supported by various means, for as the economy to record favorable results in the future. Local authorities should adopt certain measures for as the local economy to record positive results and one of measures can be the economic planning, this representing „the predictable activity most complex and active in anticipating a social-economic system with a variable scope of coverage, aiming at achieving consistent and effective structures, by allocation and training of appropriate means” [3]. Businessmen had the following opinion on the economic sector: „economic sector development is base of the development of the whole society” [5].

4. Conclusions

The global economic crisis represent a negative aspect for the companies in the current period. Many of these, have faced and still facing various problems due mainly economic crisis. Some companies, have reduced their production, number of employees and others went bankrupt.

The economic crisis problem, should be solved in a short time period, for not extend the currently existing negative.

Restructuring companies, influence the migrations of people of the city in abroad, for a job, or in native places to practice agriculture.

In the future, must be adopted some recovery measures for companies and developing economic activities to remedy problems of economic, that have occurred in the city.

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Romania is Suffocating from Economic Point of View

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Abstract

Continuously recording budget deficit after 1989 led to a continuing destabilization of the economic situation in Romania. Currently, Romania has become in a chronic condition when must borrow money every month to cover the budget deficit for the payment of pensions, wages and investment part. If there is no growth or is insignificant growth of 0.5 to 1.5%, Romania entered into an inflation spiral that does not allow growth even if they provide money for investment. There are several solutions: stimulating investment which creates jobs, the use of European structural funds, promote savings widespread population while developing entrepreneurial skills and financial knowledge to a mass at least as high as 60-80% of the population .

Key words: investor, employee, economy, crisis, promotion

J.E.L. classification: E44

1. Introduction

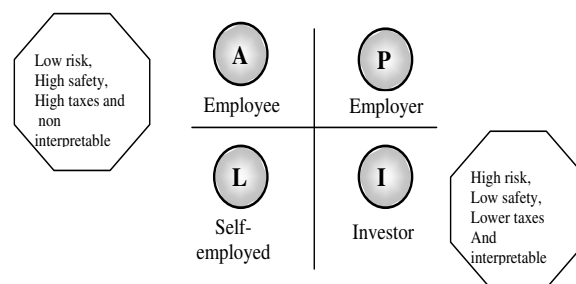
Romania will give, in a relatively short time, bankruptcy. That should not to scare us. Bankruptcy will mean an opportunity for Romania to help their economic imbalances. Bankruptcy economy of Romania is a consequence of the accumulation of large contradictions in the country's budget deficit.

We don't have a healthy demographic policy, we have social assisted much more than active taxpayers, "bureaucrats" are more than people involved in industrial or agricultural production, and reforms in health, education, justice and administration beat up on the spot.

2. Robert Kiyosaki

In my opinion we need a new concept in school curricula of secondary school to university, to promote entrepreneurial culture in the sense Kiosaki, which identified four color [1] of "earned" money as shown in the figure below:

Figure no. 1: Money Quadrant



Source: Processing by R. Kiyosaki, "The CASHFLOW Quadrant. Rich Dad's Guide to Financial Freedom", 2nd edition, Curtea Veche Publishing, Bucharest, 2008

In Robert Kiyosaki view, this means that early in his career, we should be aware that there are four situations in which money is earned as follows: employee, self employed, employer and investor [2].

The left side of the money quadrant is directly related to time work arrangements. The more you work, the more money you have. When not working, do not receive money. Another feature of quadrants 1 and 2 is that taxes are high and can not be modified except by law enacted by Parliament and this is not the reach of ordinary people.

On the right side of the figure, the time worked does not matter. What matters is the use of multiplication of two levers.

- OPT – other people time;
- OPM – other people money.

To go through the employee to the investor, you need to strengthen financial literacy that have shaped them early. The problem is to accumulate the knowledge that let you live financial decent sense Larry John.

3. Financial IQ

According to Robert Kiyosaki, there are five levels of financial knowledge, classified IQ's:

- IQ no. 1: how to make money;
- IQ no. 2: how to keep money;
- IQ no. 3: how to place money;
- IQ no. 4: how to use leverage;
- IQ no. 5: how to inform you financially?

In my opinion, after over thirty years experience, I think it would be six levels of IQ and less reversed order, as follows:

- IQ no. 1: from where I go or "my financial potency";
- IQ no. 2: how to financial inform ;
- IQ no. 3: how to make money;
- IQ no. 4: how to keep money;
- IQ no. 5: how to place money;
- IQ no. 6: how to use leverage.

4. Proposals

Switching from dial I - "employee" in quadrant IV - "investor" can be achieved through a continuous effort, directed towards the so-called total financial transformation by passing most of the population in a comprehensive process of saving the expense of debt without coverage. Robert Kiyosaki, calls this process <<From the "Mousetrap" to "Fast track">> [3].

Final target of this new concept of education should be reversing pyramid levels of initiative in figure below:

Figure no. 3. Levels of initiative

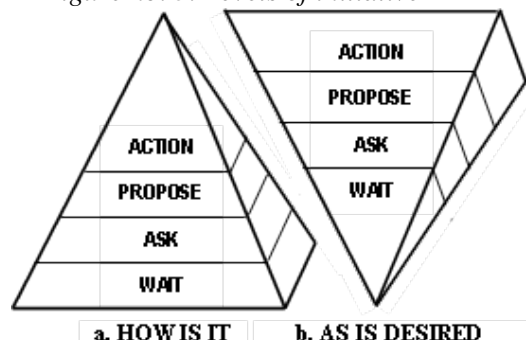
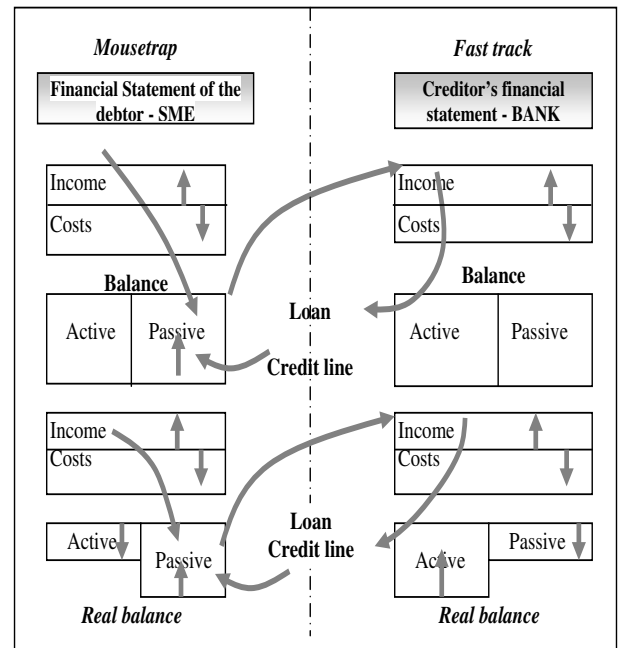


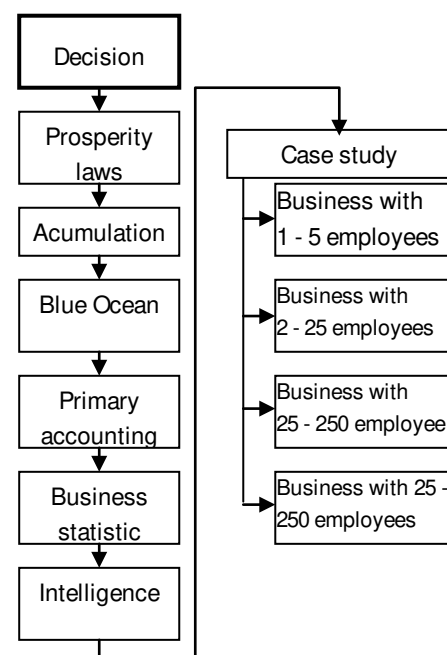
Figura nr. 2: From the "Mousetrap" to "Fast track"



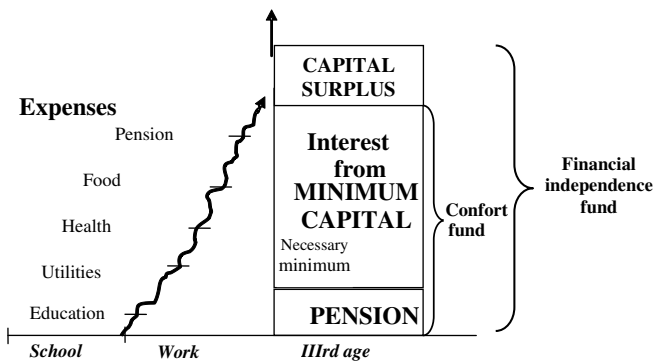
Source: Processing after R. Kiyosaki, „Rich Dad, Poor Dad. Financial education in family”, 3rd edition, Curtea Veche Publishing, Bucharest, 2008

In my opinion, it should be invented an entrepreneurial culture manual that will teach elementary school, middle school, high school and college knowledge in a series of increasingly more complex. For universities I propose a manual with the following structure:

Figure no. 4. University manual structure



5. Comfort Fund



6. Fundamental concepts

Fundamental economic concepts should be presented in the manual of entrepreneurial culture, in my opinion, are:

Chapter I. DECISION

1. Objectives
2. Tree of expectations
3. Robert Kiyosaki prosperity laws
4. Life cycle of a business
5. SWOT analysis. Case Study
6. Business exotic "Knives and pretzels"
7. Financial engineers: "PFA – income norm"
8. Examples of multiple-choice questions

Chapter II. PROSPERITY LAW

1. Objectives
2. Recapitulare
3. George knows everything!
4. Case study – Business promotion
5. Randy Gage prosperity laws
6. Jim Collins prosperity laws
7. At the begining it was the idea
8. Final project structure
9. Exotic Business: Ice "as at the grandmother"
10. Financial engineers "Profit with zero tax"
11. Examples of multiple-choice questions

Chapter III. ACUMULATION

1. Objectives
2. Recapitulation
3. S.O.S. Asylum
4. Acumulation

5. Acumulation amplification
6. Case study - Chart
7. Exotic Business: „ZIPCAR”
8. Financial engineers: „Division”
9. Examples of multiple-choice questions

Chapter IV. BLUE OCEAN

1. Objectives
2. Recapitulation
3. Two business, the same trick
4. Blue Ocean
5. EDDC Matrix
6. Strategic Vela
7. Exotic Business: „Christmas Tree”
8. Key business: „Commercial space”
9. Financial engineers: „PFA or employee”
10. Examples of multiple-choice questions

Chapter V. PRIMARY ACCOUNTING

1. Objectives
2. Recapitulation
3. Balance
4. Profit and loss account
5. Absolute indicators
6. Derived indicators
7. Model report for determining the state of insolvency
8. Exotic Business: „P2P credit markets”
9. Key business: „Commercial space”
10. Financial engineers: „FACTORING”
11. Examples of multiple-choice questions

Chapter VI. FINANCIAL INTELLIGENCE

1. Objectives
2. Recapitulation
3. Larry John's golden rules
4. A necessary evil - marriage
5. Financial IQ
6. Exotic Business: „Products portioned to order”
7. Key business: „On-line consulting”
8. Financial engineers: „House in lei”
9. Expectations tree
10. Examples of multiple-choice questions

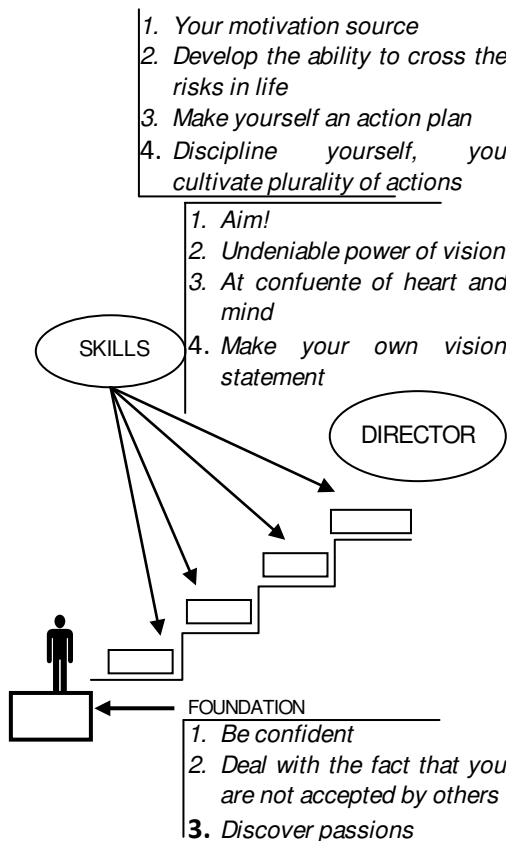
ANNEXES

Annex no. 1. Stages and documents necessary to set up a PFA

Annex no. 2. And taxes have a limit
Annex no. 3. Model for determining the risk of bankruptcy to XTB - export import
Annex no. 4. Balance Sheet and Profit and loss for ECONSULTING Company

Purpose of acquiring entrepreneurial knowledge seemed explicitly presented in the book "Total Leadership. Practical guide to transform your life vision into reality", prepared by Anthony Silard and translated in Romania in the Old Court House, the collection Profit [4].

Figura nr. 4. The trip



Source: Anthony Silard, *Total Leadership. Practical guide to transform your life vision into reality*, Curtea Veche Publishing, Bucharest, 2010

7. Conclusions

1. Entrepreneurial knowledge after the financial crisis started in October 2008, turned from the "luxury" to "necessity".
2. Romanian must learn to engage in business and earn money over the life of all four quadrants of Kiyosaki: employee, self employed, employer and investor.
3. Second pillar pension, voluntary pillar of retirement and the new law for expenditure financing will encourage Romanians health desire to acquire entrepreneurial knowledge.

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Fundamental Contradictions Generated by Transition to Market Economy

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Abstract

N.N. Constantinescu was considered a promoter of new trends in the global economy in the 1970s when they recognized that there are contradictions in socialist economies. Then he said that there are contradictions, but true-born, that which can be solved by knowing their working class. Political line dictated the idea that socialism is superior just because capitalism has solutions for any problem. That was not so, have demonstrated the events of 1989 and how fundamental economic correlations have evolved during the transition from a planned economy to a market economy. We are currently in a very delicate situation in terms of financial deepening disparities generated by generating antagonistic contradictions which can ultimately lead to bankruptcy of a country's economy.

Key words: contradictions, disparities, antagonistic, education, school

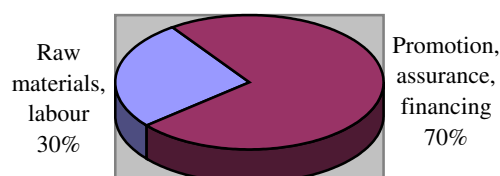
J.E.L. classification: B22

1. Introduction

The most important disproportions are: "white collar" which increased disproportionately due to weaker of "black collar", production of goods decreased at the expense of basic services, the number of engineers capable of fundamentally low expense of bureaucrats (lawyers, economists, notaries, writer). The danger is still the deterioration of productive - unproductive relationship and to be inundated by bad material and human waste.

Economically these disproportions have led the price increases in an inappropriate direction: 30% of actual costs of production and 70% promotion expenses, insurance and financing.

Figure no. 1: The spending on a car structure



2. Nicolae N. Constantinescu

Nicolae N. Constantinescu (1920-2000) is a distinguished personality of the Romanian economic science, professor of exception, esteemed by generations of students and doctoral researcher at the prestigious national and international.

Nicolae N. Constantinescu was a member of the Romanian Academy (1974) and member since 1990. Since 1994 I have been granted academic scientific titles correspondent of the Royal Academy of Doctors in Spain as well as honorary member of the Academy of Agricultural Sciences and Forestry in Romania. Nicolae N. Constantinescu won the title of Doctor Honoris Causa of the University: Craiova (1995), Timisoara (1995), Oradea (1996), Sibiu (1997) and the Academy of Economic Studies in Chisinau - Moldova (1995). From 1949 to 1992 he worked first as lecturer and consultant in 1992 as a professor at ASE Bucharest, then lecturer and teacher, Professor Head of Department at the Academy of Economic Studies. Nicolae N. Constantinescu left a large work with undeniable contributions in areas of importance to science and practice of economic development not only in Romania and internationally. As a coordinator and / or author, published volumes I-III of the "economic history of Romania," Romanian Academy Publishing House, vol IV-VI

continued with by a team of researchers prestigious, under the direction of academician Iulian Văcărel. Analyzing the scientific activity of academician NN Constantinescu, note that the historical contributions of the national economy: Economic History builder of discipline in economic higher education, the true-born founder of the theory of socialism, the development of many distinct works or extensive chapters of economic history, numerous studies and works, participation in national and international scientific economic history, creator of the scientific student of economic history, manager, factor targeting research the history of research.

Professor dr. Gheorghe ZAMAN [2] shows that aspects of the economic crisis 1929-1933, analyzed by Professor N.N. Constantinescu, in many respects have resonance with the financial and economic crisis in Romania in the years 2009-2010, especially in terms of public-private partnerships, private-private and public-public (Brundtland report, 1986), to economic-environmental theory, developed countries - developing countries, labor theory of value based on intangible assets, creative human capital, technological progress and research - innovation development, the methodology research in economics in multi and transdisciplinary context).

3. New fundamental contradictions

In Romania were kept contradictions "true-born" of socialism and have added new contradictions.

The most dangerous new contradictions emerged after the events of December 1989, are:

1. rich are richer and the poor are poorer;
2. increasing gap between the favorable areas to unfavorable areas;
3. disproportionate development of cities, starting with Bucharest;
4. attractive salaries in favorable areas, compared with negative areas;
5. active population ratio - the population assisted;
6. access to information of politicians compared to people not involved politically.

Consequence of the rise of fundamental contradictions in the Romanian economy in

Romania to be extremely only exist as a state. Germs of extreme initiatives can be observed already in real life: drugs, hallucinogenic plants, suicides, drain departures abroad.

I recently found out that a well-known professor of Galati and bought a house in Cluj, motivated by the fact that Romania will be divided into zones of influence and will be signposted Transylvania and Wallachia West, Dobrogea and Moldova will be under Russian influence.

One thing is clear: Romania's population is declining and is increasingly hopeless.

It needs a new development strategy of Romania [1] and especially of a new political class, I would say an elite to govern Romania to save the country and people.

4. Education Law, "three times yes"

I appreciate that national education law No. 1 / 2011 [3], is the best law school in the last 50 years.

Although not perfect, we must recognize that education has deteriorated continuously and needs a law to stop the continuous decline of this area, I would say that from 1947 to the present. Transformation forced laborer and / or academic peasants, the "troubled" conception of "intellectual". In promoting socialism forced laborer in the director or deputy mayor appointed or the Grand National Assembly amended the ladder and led to the belief that workers are more important than the intellectuals ("we work and think not!").

I appreciate that it is time to channel efforts towards application of new concepts of education, for which in my opinion, we must say YES three times!

YES - for no.1/2011 education law. YES - for classifying universities.

YES - for criteria for promotion for lecturers and teachers.

No matter how hard we will have to be confirmed in the posts, I think the university needs a "cold shower".

5. Proposals to amend the evaluation criteria for the teacher, associate professors and researcher in economics and business administration

I₁ Category

Consider only works whose content corresponds to the field of economics and business administration.

Publication or citation to a single indicator falls, taking into account the most favorable candidate recruitment.

n_i - the number of authors of publication in which the candidate is author or coauthor.

I_1 indicator which characterise numerical the article which presents original scientific contributions, in extenso, published in the ISI relative influence score greater than or equal to 0.25.

$$I_1 = 100 \cdot \sum_i \frac{s_i}{n_i} \text{ where } i \text{ mentions}$$

articles presenting original scientific contributions, in extenso, published by the author or co-applicant. The ISI that influence relative score greater than or equal to 0.25, and s_i represents the relative influence score of the journal.

I₂ Category

I_2 characterize numeric indicator showing items original scientific contributions, in full published in ISI journals with lower impact relative score of 0.25 and in journals indexed in international databases recognized.

For Economics and Business Administration, recognized international databases are as follows. ISI Web of Knowledge, Scopusl, EBSCO, EconLit. RePEc, DOAJ, Cabell's, JSTOR, Science Direct, SpringerLink, ProQuest.

$$I_2 = \sum_j \frac{w_j}{n_j} \text{ where } j \text{ mentions the}$$

articles presenting original scientific contributions, in extenso, published by the author or co-applicant in magazines that match the categories in the table below, and w_j is awarded points according to the following table:

Table no. 1 Evaluation criteria for articles

Category falling within article i	w_j
Article presenting original scientific contributions in estenso, published in an ISI score with a nonzero relative influence and less than 0.25	8
Article presenting original scientific contributions, in extenso, published in an ISI with a score of 0 relative influence	7
Article presenting original scientific contributions, the extensor published in a journal indexed by at least 3 of the recognized international databases	6

I₃ Category

I_3 indicator characterizes the number published in specialized books and volumes. Books, conferences volumes collective volumes considered are only those published by the international prestige. The author must prove that the publication of the book or volume has gone through an evaluation process by submitting reports scientific reviewers nominated by publishers.

It is considered that a book or volume are published in a prestigious international publishing abroad only if the publication is made in a foreign language, which can be English, French, German, Italian or Spanish, otherwise the book or volume are treated as points, those published in the country.

p_k is the number of pages that share the author or co-applicant of the number of total pages of the book / the volume k. Is calculated as the ratio between the number of pages that have the author or co-applicant and total number of pages of the book / volume.

$$I_3 = \sum_k p_k \cdot \frac{CS_k}{n_k} \text{ where } k \text{ mentions the}$$

professional books or study / chapters in books, collective volume or volumes of conferences, published by the candidate, as the author or coauthor, and CS_k is awarded points according to the following table:

Table no. 2. Evaluation criteria for publications

Category falling within k publication	CS_k
The published book to a publisher with international prestige abroad (with ISBN)	16
Study / chapter in a book expert, collective volume or volume of a conference, published / A to a publisher with international prestige abroad (ISBN or ISSN)	12
The published book to a publisher with international prestige in the country (with ISBN)	8
Study / chapter in a book expert, collective volume or volume of a conference, published in a prestigious international publisher in the country (with ISBN or ISSN)	6

I₄ Category

I_4 indicator characterizes the number presentation of scientific studies (working papers) in international conferences. Consider only the scientific studies presented directly by the candidate. Scientific studies presented at the conference must be reviewed by at least one reader designated by its organizers. The conference program will prove that scientific study has been commented on by at least one reader and presentation of scientific study was done by the candidate. Also, studies presented at the conference or at least their summary to be made public through various means of dissemination: conference website, CDs, etc. printed volumes. An international conference held abroad is considered that the scientific studies are presented in an international language that can be English, French, German, Italian or Spanish conference is otherwise treated as points, international conferences held in country.

$I_4 = \sum_i CF_i$ where I mentions scientific studies, and CF_i is awarded points according to the following table:

Table no. 3 Evaluation criteria for studies

Scientific Study (working paper) / presented at an international conference	CF_i
Scientific Study (working paper) presented at an international conference held abroad	2
Scientific Study (working paper) presented at an international conference held in the country	1

In my opinion I_1 indicator should be amended to the effect that should be encouraged and those teachers who have a direct connection with actual economic practice and not only those published in ISI journals. Thus I_1 it could be: $I_1 = \sum Ci$ where Ci is the share of jobs created in the real economy calculated as the ratio of man / years of jobs created and number of years of experience in business.

Based on this indicator, the dignity of a teacher, lecturer and researcher would have access and people who know the requirements of the labor market.

I₅ Category

I_5 indicator characterizes the number of published citations. Count only citations from ISI citations, journals indexed at least 3 of international recognized databases, or from books or volumes, published by the international prestige publishing houses.

6. Conclusions

1. Education Law is a law that can stop the decline of higher education began in 1947;
2. It takes commitment and recognition of teachers in accepting the new rules over those who find reasons to apply law enforcement to "Greek calends";
3. I recommend the stimulation of specialists that created and managed jobs to fill the dignity of being associate professor or researcher.

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Needs of Changing the Budgetary Process at the European Union Level

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Abstract

The recent economic developments of the Member States of the European Union emphasize the need for a continuous reform of the EU budgetary process. However, the significant economic distortions and the massive budget problems, of certain EU countries over the past two years, come to fill in the need to accelerate this process or completely change the mechanisms of the formation of the EU budget. The deepening of the national debt, for whatever reason, is perhaps one of the reasons why a difficult situation, in terms of budget, was reached. It is absolutely necessary to fully understand the budgetary needs at Community level, the causes that led to this concern, as well as the modification of the proposed budget processes so far.

Key words: budget, reform, expenditures, policies.

J.E.L. classification: F33

1. Introduction

European Union is financed from its own resources that are provided by member countries. Own resources are fixed by the European Council and are ratified by national parliaments. The financing of the European Union favors a certain dilution of budgetary responsibility: while increasing spending seems to be a goal for the European Commission and for the European Parliament, member states make their net balance as objectives of their positions on the ground of common policies.

The EU budget can not be compared with a national state budget, because it presents significant features. For example, in decision-making process and operation, the EU must respect its own principles and make compromises

between different states, especially in issues such as agriculture and regional development. In such problems, interests of individual Member States are different and sometimes even antagonistic. In addition, the E.U. budget must be differentiated from the budget of international organizations because it is financed by contributions from Member States as its main objective is deepening integration. To this end, the EU budget is drawn up and running by specific rules. Its resources are used for determining the rate of GNP of the Member States, which are set each year by budgetary procedures, taking into account all revenues. The implementation of the European budget, regardless of its ways to achieve, should always follow the condition of efficiency. The responsibilities of European institutions are not only to provide financial support for certain types of projects, but they have a broad spectrum, especially following the European money to be spent properly and the proposed objectives to be met. The current reform of the Community budget should take into account the particularities of the new Member States and to ensure continued support in real terms, so that to achieve the objective of convergence and the gap of efficiency and competitiveness against the old member states.

Changing the structure of EU spending in Europe 2020, backed ably by domestic policy measures, could accelerate the economic structure change among new EU states. At this point, the Commission activities focus on the evaluation of plan expenses. National parliaments have not actually a real influence and citizens, which ignores the cost of Europe, continues to see the community as a satisfactory source for financing the loans. Net balances problem remains in the center of the debate, but has the flexibility and transparency of national contributions necessary to meet the needs of Member States, including the budgetary cost of EU

membership and the extent of transfers between the member states.

2. The mechanism of the community budget process

The debate on future EU policies and budgets is still just starting. On June 8th, 2011, The European Parliament approved its position on the multi-year budget for 2014-2020. Will there be new revenue sources for the EU budget? Is the European Union, in the middle of an economic crisis, ready to support the ambitious strategy set out in EU 2020? Is there going to be any financial support for the new tasks included in the Treaty of Lisbon? If there is such support, what will happen to the traditional political areas such as agriculture and regional politics? Unfortunately, these and other questions remain to be addressed in future years when EU Member States and the European Parliament must agree on the financial framework of the European Union for 2014-2020. [1]

The European Union budgetary process includes several stages, namely: Budget preparation, adoption, execution, execution control, discharge. The responsibility of the Community budget execution lies with the European Commission but also with the Member States by which directly run about 83% of expenditure and most income.

a. The development and adoption of the budget

The European Commission prepares, by July 1st of each year, the preliminary draft of the European Union budget, based on estimated costs. This estimation of costs is made by each EU institution. The Council must take a decision on the preliminary draft budget by October 5th. From this document, the preliminary draft becomes the budget project. For this purpose, the Council shall consult with the Parliament regarding compulsory expenditure, deriving directly from the Treaty and the normative acts adopted under the Treaty. Within 45 days, the Parliament examines the draft budget and there are three possible situations:

- The Parliament does not initiate any action, and the budget is considered approved;
- The Parliament approves the budget;
- The Parliament decides to make changes.

Within 15 days, the Council shall examine the proposals made by Parliament. In case of non-compulsory expenditure, the Council is empowered to make changes and the amended text is sent back to the Parliament. In the case of mandatory expenditures two situations may occur:

- Parliament's proposals will increase the total budget. If the Council agrees with qualified majority, the proposals are accepted. Without this majority the proposals are rejected;
- Parliament's proposals do not increase the total budget. In this case, the Council may reject proposals with the qualified majority.

The Parliament also has the right to modify the non-compulsory expenditures by an absolute majority of its members and three/fifths of the votes cast. The budget may be rejected by an absolute majority of its members and three / fifths of the votes cast.

For a good development and adoption of the EU budget, consultation regarding the budget priorities was institutionalized by a trilogue between Parliament, Council and Commission, resulted in institutional arrangements, and through joint working sessions. At these joint meetings, participate, those responsible for budget in the three institutions, followed by conciliations between Parliament and Council where Commission representatives attend.

In 2001, for the first time, during budget preparation, The European Commission approached the annual budget debate and political orientations, starting from the 29 political areas of the EU. This approach ensures a coherent and comprehensive view of the targets set for each political area of the Community and on human, material and financial resources, necessary to be achieved, within the limits contained in the financial perspective. Budgeting on specific activities will be completed at the level of the European Union departments, with the introduction of activity based management. [2]

b. Implementation of the budget

For the revenue side, Member States are required to transfer their respective incomes, to the EU budget from January 1st. The implementation part of the expenditure requires the existence of a legal base, which

means that a budgeted expense can be executed only if a legal provision has been adopted, which results in an expenditure obligation for the EU. The exception to this rule, meaning that certain expenditures may be effective only on the basis of their inclusion in the budget, for amounts that are "insignificant" in the four cases explicitly defined:

- Pilot schemes of an experimental nature;
- Preliminary action for the preparation of a legislative proposal;
- Actions initiated by the Commission in the implementation of duties such as stages and social policy options;
- Actions of individual institutions within its administrative autonomy.

The Commission and other EU institutions bear full responsibility for the implementation of their part of the budget. In practice, licensing officers, accounting officers and financial controllers are the people who implement the budget. This internal delegation of competences seeks to avoid a conflict of interest and abuse of power.

The authorizing officer has the power to authorize the expenditure to take effect. The accounting officers make the payments, being the only ones authorized to handle money and other assets. Financial controllers conduct the execution, monitoring and auditing in fact the legality of transactions. The financial controllers have some independence, meaning that, in some cases, they may engage actions before the Court of Justice.

Performing any expenditure must take the following four stages:

1. engaging expenditure, which is made only if the financial controller checks for the legal basis and budgetary provision;
2. the validation of the expenditure is made by the licensing officer who verifies the payment obligation to a creditor, the payment amount, provided that the payment becomes chargeable;
3. authorizing is the operation by which the authorizing officer requests the accounting officer to pay for an expense that has been validated. Payment order is being sent for a preventive visa to the financial control;
4. payment is the final action conducted by the accounting officer and which

terminates the institution's obligation to the creditor.

Member States implement the policies, the projects and the programs on agriculture and structural operations. As a result, approximately 83% of the European Union expenditures are carried out by the Member States, which, together with the European Commission are responsible for how EU resources are being used.

c. The control of budget implementation and discharge

During the financial year, the Commission sends monthly reports to Parliament and the Court of Auditors on the implementation of EU budget revenue and expenditure. After the completion of the financial year, by May 1st of the following year, the Commission, elaborates the consolidated account of the implementation of the budget revenue and expenditure, the balance sheet assets and liabilities of the EU and an analysis of the financial management. Based on these documents and their own analysis, the Court of Auditors elaborates its own report on the compliance with the law, in implementing revenue and expenditure and of a sound financial management practice. Auditor's report is submitted to the Parliament, which may or may not discharge. [3]

3. Community budgeting procedures

The European Community Treaty, Article 272, noted that the various stages of the procedure and time limits must be strictly followed. In the EU the budgetary procedure laid down in the Treaty should be placed in the period September 1st- December 31st of the previous budgeting year. In practice, the procedure takes place in several stages, as follows:

1. The elaboration of the draft budget, by the European Commission, and its transfer to the budgetary authority by June 15. After comments and debate on political and budgetary priorities for the next year, the Commission selects the data required to prepare the budget, by doing an internal arbitration. At the end of this stage, the Commission brings together all the elements in a draft budget that includes the overall revenue and expenditure forecast for the next year. Later, this

project may be modified, by the Commission, through a letter of amendment.

2. The establishing of the budget project by the Council. The Council reads first the draft budget and then adopts, before July 31st, based on the initial project and after discussions with a delegation of the Parliament, a project that they forward during the first half of September.
3. The first reading in Parliament, of the draft budget of the Council is in October, the amendments on expenditure, being voted by an absolute majority of members. The second reading of the draft budget, by the Council, is in November, having been previously discussed with the European Parliament delegation. At this stage, the draft budget may be modified by amendments or proposed amendments voted in Parliament.

The Council deliberations result leads to the final amounts for compulsory expenditures, the Council having the final decision for this category of expenditure. The draft budget with this content is returned to Parliament by December 22nd. The second reading of draft budget in Parliament is compulsory, thus the Council may accept or reject proposals.

The Parliament votes the budget, the President notes the vote, and the budget becomes enforceable now. In certain circumstances, the Commission may propose, during the year, the modification of the voted budget, based on changes, based on a timetable of the budgetary procedure of the Council of Europe.

4. The stage of clarification of the EU budget system

Significant changes in the financial and budgetary system plan took place after the third wave of integration, 1986 (Spain and Portugal) and the adoption of the Single Act. European financial and budgetary reforms were initiated by J. Delors and consisted of:

- 1) *The method of determining the overall limit of their own resources*, for all categories as a percentage of FNB of the EU and not the VAT, as before;
- 2) *The introduction of the annual financial planning together with a double limit on expenditure*: the annual budget payment

limit may not exceed the overall limit, expressed as a percentage of GNP in the EU (which is 1.27%) and limiting each expenditure at a fixed cost for each year.

The reform of the EU budgetary and financial system has resulted in the adoption of two packages:

1. *Delors Package 1*, adopted by the Council in 1988, limited expenditures for agriculture, whose growth was capped at 74% of average GDP growth in the EU; the structural funds established allocations were doubled, it was constituted the fourth resource to finance new expenditures, based on each country's GNP.
2. *Delors Package 2*, adopted in 1992, redistributed resources in favor of structural programs and created the Cohesion Fund. [4]

5. New trends in budget

The new Community financial framework (Financial Perspective 2007-2013) is a new classification of expenditure in the EU budget, the main lines are now sustainable growth, competitiveness and cohesion and shared natural resources, subdivided between farm payments and other natural resources. Without the possibility of doing a direct comparison with the old EU budget (the structural operations could be identified separately), the new financial framework includes most of the former "structural operations" in chapter cohesion of "the sustainable growth".

Although programming, partnership, additionality and focus remain the key principles of regional policy, at the structural funds programming level, there are substance changes. For instance, although the obligation to maintain multi-annual programming, the National Development Plan and Complement Plan preparation obligation disappears, and it is required only the development of two types of programmatic documents, of strategic nature (National Strategic Reference Framework) and operational (operational plans). Even on the level of funds, management changes are introduced. Thus, under the *Convergence* objective, an audit authority will be created (an independent body responsible for checking the proper functioning of

management and control systems), a certification authority (responsible for certifying statements of expenditure, and payment applications prior to their transmission to the Commission) and the paying authority will disappear. Under the European territorial cooperation objective, there will be created, a certification authority, a single control authority and financial control groups (each consisting of an inspector appointed by each Member State, to support the role of the control authority). [5]

6. Legislative changes

On 29.09.2010, the Commission adopted the most comprehensive package to strengthen economic governance in the EU and the euro area since the launch of economic and monetary union. The proposals submitted represent the translation in specific legislative proposals of the recent Commission's communications from May 12th and June 30th, on the economic governance. Following intensive preparatory work and a broad stakeholder consultation, including the economic governance Task Force, chaired by European Council President Herman Van Rompuy, these political proposals of the Commission emphasize the strong desire to achieve, as quickly as possible, the necessary reforms. All these reforms are compatible with the Treaty of Lisbon and are likely to ensure that the EU and the euro area have a more effective coordination of the economic policies. The role of this approach is to give the EU and the euro area, the necessary capacity and strength to carry out sound economic policies, thereby contributing to a sustainable growth and to create jobs, according to Europe 2020 strategy. [6]

The legislative package consists of six legal texts, namely: four proposals addressing tax issues, including an ample reform of the Stability and Growth Pact (SGP), and two new regulations dealing with the detection and effective approach of macroeconomic imbalances emerging in the EU and euro area. These changes will facilitate enforcement and will limit discretionary tendencies in the implementation of sanctions. In other words, the PSC will become more "focused on the rules" and

sanctions will become a normal consequence of a violation of their commitments, by one country or another.

1) *An amending regulation of the legislative substrate in the corrective part of the Stability and Growth Pact:*

Through the corrective component of the SGP, it is intended to prevent committing serious errors in the conduct of budgetary policies. The regulation amendment is designed to more closely monitor debt developments and link it with the development of the deficit in taking a decision related to the excessive deficit procedure. Member States whose debt exceeds 60% of GDP should take measures to reduce this debt at a satisfactory pace, defined as a reduction of 1 / 20 of difference from the threshold of 60% over the past three years.

2) *An amending regulation in the legislative substrate of the preventive component of the Stability and Growth Pact:*

The preventive component is designed to ensure that Member States follow prudent fiscal policies in times of prosperity so that they have reserves in less favorable times. In order to delineate the sufficiency shown in times of previous economic prosperity, the monitoring of public finances will focus on the new concept of prudent fiscal policy, which is designed to ensure convergence towards the medium term objective. Commission may issue a warning if it finds that euro area Member States significantly deviate from prudent fiscal policies.

3) *A regulation relating to the effective implementation of budgetary surveillance in the euro area:*

Changes of the corrective component and of the preventive component are supported by a new set of financial penalties staged for the euro area Member States. In the case of the corrective component, if it is established that a country has an excessive deficit, the country should constitute a non-interest bearing deposit, amounting to 0.2% of GDP. This can be turned into a fine for non-compliance with the recommendation to correct the excessive deficit.

To ensure implementation, a "reverse voting mechanism" is considered, to impose such sanctions, meaning that the Commission proposal for a sanction shall be considered adopted unless rejected by the Council with

qualified majority. Accrued interest on deposits and fines will be redistributed to states in the euro area when there is no excessive deficit, nor excessive imbalance. The changes are designed to facilitate the potential transition to an insurance system related to the EU budget, as provided in the Commission's communication on June 30th.

4) *A new directive on requirements for the budgetary framework of the Member States:*

Because fiscal policy is decentralized, it is essential for the PSC objectives to be reflected in the national budgetary frameworks, namely the set of elements that form the foundation of the national budgetary governance (accounting systems, statistics, forecasts, fiscal policy rules, procedures, budget and budgetary relations with other entities such as local or regional authorities). The directive establishes the minimum requirements to be met by the Member States.

5) *A regulation on law enforcement measures to correct excessive macroeconomic deficits in the euro area:*

As in the budgetary field if it is established that a member of the euro area does not comply with the Council's recommendations repeatedly, in order to remedy excessive imbalance, it will have to pay a fine equal to 0.1% of the annual GDP. The fine can be stopped only by a qualified majority vote ("reverse voting", see above), expressed exclusively by the euro area Member States.

6) *A new regulation on the prevention and correction of the macroeconomic imbalances:*

The excessive imbalance procedure is a new element of the European Union for economic surveillance. It includes a regular assessment of the risks of imbalances based on a scoreboard of economic indicators. On this basis, for Member States with a high risk, the Commission may launch thorough examinations, after which it will identify the problems causing this situation. For Member States with severe imbalances or imbalances that jeopardize the functioning of Economic and Monetary Union, the Council may adopt recommendations and may initiate an "excessive imbalance procedure". A Member State to which the excessive imbalance procedure is applied, must submit a corrective action plan, submitted to the

Council, which will determine the deadline for the implementation of corrective actions. If it is found repeatedly that corrective actions are not done, it shall be subject to sanctions (see below).

7. Conclusions

It is absolutely necessary to design a debt management program for each of the European Union States, attracting funding should be considered for a long term process and executed as soon as possible, even given the strong risk of not covering the debt issuance announced.[7] In the future, Member States will not only have the problem of supporting banks, they will have their own problems for the issuing of the debt issuance. Moreover, in an illiquid market, there would be no one interested in taking over the debt of a Member State, such as Romania or Greece. For such countries, the most acute problem is not the obligation to reduce public debt or budget deficit, but the risk of being sanctioned by the international financial markets and private capital, following the loss of their credibility.

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Romania versus Bulgaria. Black Sea Tourism. Case Study

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Abstract

The purpose of this paper is to present a detailed comparison between Romania's and Bulgaria's Black Sea tourism. We shall deal with the differences and similarities regarding the way privatisation was carried out in the two countries and their respective outcomes. Furthermore, we will highlight the natural climate and the tourism attractions in the Black Sea area. Last but not least, the services offered by the tourism sector of both countries will be thoroughly analysed.

Key words: touristic potential, investments, development

J.E.L. classification: L83, R11

1. Introduction

The tourist potential of the Romanian seaside is terrific, as the natural climate is truly unique. The golden sands are well known for their fineness, and the intertwining of land and sea is gradual, the beaches moving down slowly into the sea so that the water remains shallow for long distances from the shore, thus being adequate for children, or for those who cannot swim. In addition, because the Black Sea has a low level of salinity in comparison with other continental seas, tourists can practise freely underwater or water sports. Furthermore, there are no tides and no dangerous marine animals, and the playful dolphins can be a spectacular sight for the lucky viewers.

However, Romania is incapable of taking advantage of its natural resources, as the tourist sector has no vision, no coherent programmes and absolutely no development plan.

2. The Romanian seaside

The Romanian seaside is maybe the most edifying example of an unsuccessful privatisation process. It started back in the 2000's, when the government decided to sell all its remaining hotel assets. They were however sold at unbelievably low prices to business men close to the circles of power, consequently, the tourist sector was not at all encouraged. For instance, the government did not make sure that the new owners will modernise the hotels and bring them to an upstanding, pre-defined standard. Just as we go over the list of buyers, we conclude that these entrepreneurs have had no previous experience in tourism. Whether these so called investors bought such assets because they had been offered a bargain price (as they had close relations with the governors), or in order to speculate great real estate deals, for self pride or just to show off is unclear, but it is certain that they did not acquire them with the view to developing the local tourist sector.

For instance, among the investors, we can spot *Celco Plc.*, a commercial entity which purchased 4 hotels in Neptun (Delta, Sulina, Dobrogea and Traian) and one in Mamaia (Condor). However, *Celco* is the former concrete factory from Constanța, so its main activities are related to the construction industry and by no means to tourism. Among other important investors we can identify are the Micula brothers, managers of a well-known beverage company, who bought nine hotels in Neptun and Olimp summer resorts, and three others in Mamaia. However, they showed little interest in redeveloping and modernising the assets, consequently, most of them are today virtually completely outdated.

We reach the same conclusion when it comes to those responsible for managing the beaches. Almost half of the leased surface of the Romanian seaside – 570,000 square feet –

is managed by 10 private companies, among which only 3 have their primary activity registered as tourism, while other businesses include newspaper editing, trading car parts and the handling of harbour commodities. These companies took part in suspicious auctions between 2006 and 2008, and eventually managed to lease several patches of sand for a period of up to 25 years.[1]

What is worse is that even nowadays, business in the summer resorts is handled by the same fake investors, always protected by the authorities who turn a blind eye when it comes to their wheeling and dealing.

The results can be clearly highlighted in the tourist services offered: almost everywhere we can find hotels and restaurants that are completely outdated and derelict, poor services at steep prices, merely no customer care, filthy beaches, seaside water full of algae, improvised and unattractive terraces. In addition, among the over 300 hotels that operate on the seaside, only 2 are affiliated to an international hotel chain: Golden Tulip and Best Western Savoy, both located in Mamaia.[2] The international brands are a vital system of distribution for any tourist destination, because they are an attraction especially for the tourists who have a culture of holidays and who consider it to be a guarantee of a successful vacation.

According to an analysis carried out by the Trend Hospital consulting company[3], the Romanian seaside hotels lack even the most basic features when it comes to the security of the tourists and the structure of the services that are offered. For instance, while our hotels are crammed on tiny surfaces, the Turkish and Greek summer resorts are spread on thousands of square feet of sand.

Given the circumstances, the business has once again been rescued by the week-end tourists: according to Forbes, almost 110,000 tourists – most of them Romanians, confronted with a pay cut and a gloomy outlook as far as the security of their job is concerned, but willing to have a whale of time – have invaded the Black Sea summer resorts from Friday to Sunday night.

During[4] the 12 summer weekends of 2010, tourists spent € 450,000,000. Although this sum may seem high at first sight, the number of tourists and the money they spent at the seaside are not much for an industry

that occupies almost 245 kilometres of beaches and boasts approximately 130,000 places for accommodation. In other words, the weekend tourists have delayed for another year the long-awaited bankruptcy of the previously mentioned impostors. In order to take full advantage of the wonderful gift nature gave us – the Black Sea – the restructuring of the Romanian tourism is badly needed, to allow this sector to be taken over by people really interested in investment and development.

3. What is the situation in Bulgaria?

By comparison, the Bulgarian seaside is 378 kilometres long and can accommodate up to 350,000 people. Extremely varied, it comprehends open beaches ending in lagoons and deep gulfs, tiny dunes and craggy cliffs, fishing villages and camping places. The privatisation process began in 1993[5], and not after the 2000's, like in Romania, and covered a whole resort, whereas in Romania each hotel asset was sold separately. This meant that in Romania, the hotel was owned by one investor, the restaurant by another and the pool or the terrace belonged to a third party. Once a Bulgarian investor bought the property, s/he immediately sought the help of major tour operators such as TUI or Neckerman, which not only offered their know-how, but spent important sums of money in renovating the hotels, or even in building new ones, according to German quality standards, nonetheless. Once finished, tour operators started pouring in foreign tourists, who brought the Bulgarian summer resorts to life. Finally, the investors in Bulgarian tourism had brand new assets, filled with tourists, and moreover, they were included in an international hotel chain that would supply tourists for a long period to come.

Another important aspect is the fact that Bulgarian hotels, built after the German recipe, are mainly three, four or five - star – meaning western standards – while in Romania, the majority of the hotels have only two or three stars, which makes them unattractive to foreign tourists, meaning that the four or five-hotels are the exceptions that confirm that our tourism is mainly directed towards less well-off people.

Figure 1. Mamaia versus Golden Sands infrastructure

Rating	Number of hotels	
	Mamaia	Golden Sands
5 star	4	4
4 star	14	30
3 star	22	33
2 star	22	8
1 star	3	0
Note : The grid does not include villas, hostels or apart-hotels		

Source: The Association for Promoting the Black Sea Coast and the official map of the resort The Golden Sands

To add insult to injury, the prices applied by the Romanian seaside hotels are comparable to those in Bulgaria, even though there is a huge discrepancy between the quality and services offered by the two countries.

Figure 2 Tarrifs from Mamaia versus Golden Sands tarrifs

Hotel	Double room/night (Euros)	
	Mamaia	Golden Sands
5 star	225-245	75-123
4 star	99-195	40-124
3 star	49-73	17-60
2 star	20-30	16-30

Source: www.booking.com

The Bulgarian tourism is not perfect whatsoever. The country is in danger of losing an important share of its western tourists, as their security has been quite an issue during the past few years. Diplomats from Great Britain, Ireland, Holland, Denmark or Norway urged Bulgarian officials to take prompt actions againsts thefts committed in Sunny Beach, Bulgaria's biggest summer resort.[6] Foreign diplomats have met with Sunny Beach officials and with police representatives in order to draw up a plan meant to reinforce public safety alongside the Black Sea resorts.

Furthermore, taxis without a valid license are more and more common, while the blackmailing of foreign tourists is increasingly growing. The latest case occurred in May 2010, when a taxi driver and an accomplice took hostage a tourist and

demanded €200 worth of ransom. What is more, due to the surge in the number of visitors, parking your car could prove to be a huge challenge. In addition, sometimes the cars belonging to the tourists are stolen right from the hotel's car park, and in other cases, tourists are stopped and fined by fake police officers. Another drawback is the difficulty for getting an entry visa for non-EU citizens, who are a main target for the Bulgarian hotel owners.

In a nutshell, we can conclude that Romania's seaside tourism has drowned and the news[7] that the German based TUI tour operator has placed our country 7-8 years behind Bulgaria as far as the development of the tourist sector is concerned should not come as a surprise. At the same time, tourism south of Romania seems to be thriving, despite the drawbacks we have listed above.

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Food Security in the Future Common Agricultural Policy

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Abstract

Common Agricultural Policy (CAP) has been the centerpiece of European integration, being the strongest common policy of the European Union. Although, due to its long history, it has been reformed on many occasion.

Health Check is already a matter of past, so, the reform of the CAP post-2013 represents a hot topic and a major concern for EU member states.

The reform of the CAP should continue in order to ensure the growth of competitiveness, efficient use of natural resources, to adopt the right measures in order to respond to several challenges, one of them being food security. Facing these challenges, CAP will contribute to "EU 2020 Strategy" in terms of smart, sustainable and inclusive growth. While EU citizens demand high quality and a wide choice of products, EU agriculture is facing a more competitive environment and should be able to respond to world food demand.

Key words: CAP, reform, challenges, volatility, EU 2020 Strategy

J.E.L. classification: Q18, Q13, F59

1. Introduction

In over half of century of existence, CAP has been the most debated, controversial, analyzed and reformed European policy. The initial objectives of the CAP have remained over the years, but the weight given to different objectives and the instruments used for their achievement have changed drastically.

If in the beginning it was based on output subsidy and protection of internal markets against non-European producers, subsequently, subsidy aimed to support

directly the income, not the stimulation of production, focusing on rural development and environment protection.

2. Food security along CAP reforms

The CAP has its roots in the post world war II situation, when agriculture had been crippled and food supplies could not be guaranteed. Incentives to produce were provided through a system of high support prices to farmers, combined with border protection and export support with financial assistance for the restructuring of the sector.

In 1968, a report of the Commissioner Sisco Mansholt emphasized the need for a radical reform, proposal rejected by member states. The debates were generated by surpluses, explosion of costs and production didn't materialized, the consequence being the failure of the program. CAP became "the victim of its own success", the achievement of the objective regarding production and food security in EU countries had to be paid through its secondary effects, some being unacceptable, "mountains" of cereals, meat and other goods and over-products as well as market distortions, finally pressing also over the developing economies and poor people (Andrei [1], 2009).

Till '80s, CAP didn't change substantially, a radical change took place in 1984. Through "Livre vert" a radical reform of the CAP was required, the development of agriculture according to environment protection requests, one of the objectives of the reform being the decreasing of the surpluses. The reform of the 80's meant the giving up to the principle of guaranteeing prices for unlimited quantities and a new budgetary discipline. In 1984, the quotas for milk production were introduced while on the other markets with surpluses the maximum guaranteed quantities were established.

Substantial changes took place in 1988 when the Council of Ministers decided to cap the increase of agricultural expenses and the extension of applying the production quotas to the entire agricultural production (Miron [5], 2002). These limits called "stabilizers" had a limited success, the surpluses were still accumulated so the need of the reform was obvious.

Although the CAP was very successful in moving the EU towards self-sufficiency, by the 1980s had to contend with almost permanent surpluses of major farm commodities, some of which were exported (with the help of subsidies), while others had to be stored or disposed of within the EU.

This led to a fundamental reform process of the CAP which started in 1992 and was later deepened in 1999 with Agenda 2000. While in the early years the main objectives were to ensure food security, to increase and improve productivity, market stabilization, the **MacSharry Reform** dated **1992** brought among its targets the limitation of rising production, the reduction of supply to the level of the demand, low stocks for most of the commodities with a view to create a more free agricultural market. In the period 1992-1999, the mechanisms created to check availabilities could not prevent the increase of surpluses which implied higher stocking costs.

Adopted in **1999**, **Agenda 2000** aimed at deepening the MacSharry Reform, by replacing price support measures with direct aids and promoting a coherent rural policy. The issued approach included also food of high safety and quality. Sustainable development policy of rural areas focused on individuals and groups, other than farmers. This led to the diversification of food production and the decreasing of the guaranteed prices, compensated by direct prices to farmers, improved supply-demand balance on the common market for the agricultural products, etc., one of the effects being the stabilizing of the demand-supply balance on the agricultural common market.

The detailed analysis of the **Fischler Reform (2003)** - initially called **Mid Term Review** - whose general objective was the higher support for the rural space, emphasized several factors, concerns about environment, food safety and food security being one of them. One of the effects of the

reform consisted in the reduction of the incentives for overproduction.

Adopted in **2008**, **Health Check** represents a package of amendments to policy regulations and made only small steps, at technical level, towards the reform. Intervention on markets is reduced, modulation is extended and decoupling is carried on. National milk quotas were supplemented with 1% per year, going to be eliminated in 2015. Health Check resumes to less tools for market regulation and for funds transfer from the first pillar to the second one. Health Check could not define a common position of member states regarding the direction of the reform after 2013. It is already a matter of past, debates within EU are subject to the CAP post-2013 and its reform.

Europe should stimulate the development of a modern agriculture, create workplaces and manage properly the EU agricultural territory. In order to fulfill these goals, it must find solutions to ensure community preferences, the use of new instruments to stabilize agricultural markets and risk management, assuming the role of EU's net exporter to third countries, to meet the new challenges we are facing today.

3. Food security, a challenge for the CAP post-2013

After a wide ranging of public debate, the Commission presented on **18 November 2010** a **Communication** on "**The CAP towards 2020**" which outlines options for the future CAP and launched the debate with the other institutions and with stakeholders. The conclusion was that the future CAP should remain a strong policy structured around its two pillars (a first pillar greener and more equitably distributed and a second pillar focused more on competitiveness and innovation, climate change and environment).

One of the aims recommended is the preserving of the food production potential on a sustainable basis throughout the EU, so as to guarantee long-term food security for EU citizens and to contribute to growing world food demand. The recent events regarding market instability in the context of climate change must be taken into account.

Another aim is to support farming communities that provide European citizens with quality, value and diverse food, sustainably produced, according to the environmental requirements.

Reform of the CAP must continue in order to promote competitiveness, efficient use of taxpayer resources and effective public policy returns European citizens expect, with regard to food security, the environment, climate change and social and territorial balance. All these need also to happen within the constraints of limited budgetary resources and taking into account the severe impact of the economic crisis in agriculture. By responding to the actual challenges, CAP will also contribute to the **"EU 2020 Strategy"** in terms of *smart, sustainable and inclusive growth*. This means green growth in the agricultural sector and the rural economy as a way to enhance well being by pursuing economic growth while preventing environmental degradation (European Commission [11], 2010).

We need a reform in order to respond to the new challenges like: improving sustainable management of natural resources, maintaining competitiveness in the context of globalization growth, addressing rising concerns regarding EU and global food security, strengthening EU cohesion in rural areas, increasing the support of the CAP for member states, farmers and active farmers.

Food security is one of the challenges that agriculture is facing, the primary role for agriculture being to supply food.

A strong agricultural sector is vital for the highly competitive food industry to remain an important part of EU economy and trade. EU citizens demand a high quality and diversity of food products, reflecting high safety and welfare standards, including local products. The environment EU agriculture is facing today is more competitive, as the world economy is highly integrated and the trading system more liberalized. This trend might continue in the next years, in view of the possible conclusion of the Doha round negotiations and of agreements under negotiations. This is a challenge for EU farmers but also offers an opportunity for EU food exporters. Therefore, it is important to continue to enhance the competitiveness and productivity of the EU agriculture sector. On medium-term, the perspectives for

agricultural markets are expected to be characterized by greater uncertainty and increased volatility. The economic crisis that has affected the whole economy and implicitly agriculture, has a great impact in the context of the future CAP. After a decade of mere income stagnation, agricultural income dropped substantially in 2009 adding to an agricultural income significantly lower than that in the rest of the economy; in the same time, income per inhabitant in rural areas is considerably lower than in urban areas.

Viable food production, one of the objectives for the future CAP, means (European Commission [11], 2010):

- ◆ to contribute to **farm incomes** and limit farm income variability, recalling that price and income volatility and natural risks are more marked than in most other sectors and farmers' incomes and profitability levels are on average below those in the rest of the economy;
- ◆ to improve the **competitiveness** of the agricultural sector and to enhance its value share in the **food chain**, because the agricultural sector is highly fragmented compared to other sectors of the food chain; in addition European farmers face competition from the world market while having to respect high standards relating to environmental, food safety, quality and animal welfare objectives requested by European citizens;
- ◆ to compensate for production difficulties in areas with specific **natural constraints** because such regions are at increased risk of land abandonment.

The 2009 dairy market crisis highlighted the important role that existing mechanisms play in supporting the market in times of crisis. However, some specific adaptations appear necessary, most notably in streamlining and simplifying instruments currently in place, as well as in introducing new policy elements with respect to the functioning of the food chain. The removal of dairy quotas will take place in 2015; in the sugar and isoglucose sectors, the current regime is set to expire in 2014/2015. Improving the functioning of the food supply chain is necessary. The share of agriculture in the food supply chain has decreased from 29% in 2000 to 24% in 2005, while the share

of the food industry, wholesale and distribution sector have all increased over the same period of time.

On 12 October 2011, the Commission presented a set of **legal proposals** designed to make the CAP a more effective, efficient and understandable policy for a more competitive and sustainable agriculture and vibrant rural areas in order to help the farming sector to become more competitive and to deal with the economic crisis and increasingly unstable farm-gate prices. The proposals aim to strengthen the competitiveness and the sustainability of agriculture and maintain its presence in all regions, in order to guarantee European citizens healthy and quality food production, to preserve the environment and to help the development of rural areas. Following a debate in the European Parliament and the Council, the approval of the different regulations and implementing acts is expected by the end of 2013, with a view to having the CAP reform in place from 1st January 2014.

Different points of view recommended, among the main objectives, to conserve the food production potential through the territory of EU in order to guarantee the long term food safety for the European citizens in terms of crisis and to contribute to the growing food demand at global level as well to support the farmers communities that supply the European citizens with quality and diverse food in terms of sustainability, according to the environmental demands.

Dacian Ciolos, the Commissioner for Agriculture and Rural Development, reflected in his speech the statements on the key points: better targeted income support, tools to address crisis management which are more responsive and better suited, a "green" payment for preserving long-term productivity, additional investment in research and innovation, a more competitive and balanced food chain, encouraging agri-environmental initiatives, facilitating the establishment of young farmers, stimulating rural development and entrepreneurship, better addressing sensitive areas, a simpler and more efficient CAP.

4. Food security at european and global level

Global food production has risen over the last fifty years, surpassing population growth and leading to an increase in food availability per person. Development policies are therefore needed in order to deliver more evenly distributed economic growth and a fairer distribution of income as a means of improving food security for the most vulnerable. Over the next 50 years, however, an increase in world population and the growing impact of climate change are likely to result in a global increased demand for food. The response to this could further increase the environmental impact on agriculture. While food security has been a matter of concern in 2009, on longer term it has to go hand in hand with environmental security.

Given the demand worldwide will continue rising in the future, the EU should be able to contribute to world food demand which is expected to increase by 70% till 2050 (in the conditions of an increase of world population to 9 billion in 2050), according to FAO estimations. It is essential that EU agriculture maintains its production capacity and improves it while respecting EU commitments in international trade and policy coherence for development.

Food security will remain a critical issue for the international community. During the meeting of G20 Agriculture Ministers held in Paris in June 2011, it was stated that "All the countries have stressed the need to adopt improved and more effective agricultural policies at the global and national levels, better international coordination and concrete implementation of political commitments to promote food security and sustainable agricultural production." Among the main objectives of the Action Plan are: to improve agricultural production and productivity, to increase market information and transparency, to strengthen international policy coordination, to improve and develop risk management tools for governments, firms and farmers, to improve the functioning of agricultural commodities derivatives markets having in view the extreme price volatility of the agricultural commodities.

At the 37th Session of the Committee on World Food Security held in Rome on October 2011 it was stated that food security is a complex and multidimensional issue. When it is threatened by global food price volatility, there is need for both national and international responses. Some of the recommendations consisted in investing in agriculture with a long-term view necessary to prevent a repetition of food crisis. New public and private investment in both research and development is necessary as well as preservation of agro-biodiversity and the creation of new varieties. Countries need a national comprehensive food security strategy in line with the special characteristics of each country. Such strategies should include policies to reduce, manage and cope with price volatility.

A new vision for agriculture is needed. The principles upon which our food system in general and research concerning agriculture and food system in particular should be based are (SCAR [14], 2011):

- ◆ **well-being:** food and agriculture should serve the well-being and quality of life of all stakeholders involved;
- ◆ **resource use efficiency and optimality:** given the increasing scarcities in vital resources, resources should be used as efficient as possible;
- ◆ **resource conservation:** to avoid the irreversible loss of nature resources, critical natural resources, including biodiversity, land and water should be maintained;
- ◆ **diversity and inclusion:** food and agricultural systems should reflect the territorial diversity within the EU and worldwide;
- ◆ **transdisciplinarity:** research and innovation underpinning future food and agricultural systems should be truly interdisciplinary but also transdisciplinary;
- ◆ **experimentation:** research should be diverse, ranging from blue sky research to applied research;
- ◆ **coordination and impact evaluation:** research should be better coordinated across thematic domains as well as member states;
- ◆ **public involvement:** strong public investment in research remains crucial.

5. Conclusions

The purpose of this paper was to analyze the importance of food security in the long history of the CAP and mainly in the future reform in the context of global food price volatility. Food security remains one of the main challenges CAP is facing, the reform post-2013 should help farmers adapt to market's changing needs and secure a sustainable food supply.

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Algorithms for Maximum Entropy Parameter Estimation

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Abstract

In this paper, we consider a number of algorithms for estimating the parameters of ME models, including iterative scaling, gradient ascent, conjugate gradient, and variable metric methods. Surprisingly, the standardly used iterative scaling algorithms perform quite poorly in comparison to the others, and for all of the test problems, a limited memory variable metric algorithm outperformed the other choices. Maximum entropy (ME) models, variously known as log-linear, Gibbs, exponential, and multinomial logit models, provide a general purpose machine learning technique for classification and prediction which has been successfully applied to fields as diverse as computer vision and econometrics.

Key words: GIS, entropy, ME models, probability, heuristic

J.E.L. classification: L63

1. Introduction

In natural language processing, recent years have seen ME techniques used for sentence boundary detection, part of speech tagging, parse selection and ambiguity resolution, and stochastic attribute-value grammars, to name just a few applications [1]. A leading advantage of ME models is their flexibility: they allow stochastic rule systems to be augmented with additional syntactic, semantic, and pragmatic features. However, the richness of the representations is not without cost. Even modest ME models can require considerable computational resources and very large quantities of annotated training data in order to accurately estimate the model's parameters. While parameter estimation for ME models is conceptually straightforward, in practice ME models for typical natural language tasks are

usually quite large, and frequently contain hundreds of thousands of free parameters. Estimation of such large models is not only expensive, but also, due to sparsely distributed features, sensitive to round-off errors. Thus, highly efficient, accurate, scalable methods are required for estimating the parameters of practical models. In this paper, we consider a number of algorithms for estimating the parameters of ME models, including Generalized Iterative Scaling and Improved Iterative Scaling, as well as general purpose optimization techniques such as gradient ascent, conjugate gradient, and variable metric methods. Surprisingly, the widely used iterative scaling algorithms perform quite poorly, and for all of the test problems, a limited memory variable metric algorithm outperformed the other choices.

2. Maximum likelihood estimation

Suppose we are given a probability distribution p over a set of events X which are characterized by a d dimensional feature vector function $f : X \rightarrow R^d$. In addition, we have also a set of contexts W and a function Y which partitions the members of X . In the case of a stochastic context-free grammar, for example, X might be the set of possible trees, the feature vectors might represent the number of times each rule applied in the derivation of each tree, W might be the set of possible strings of words, and $Y(w)$ the set of trees whose yield is $w \in W$. A conditional maximum entropy model $q_\theta(x|w)$ for p has the parametric form:

$$q_\theta(x|w) = \frac{\exp(\theta^T f(x))}{\sum_{y \in Y(w)} \exp(\theta^T f(y))} \quad (1)$$

where θ is a d -dimensional parameter vector and $\theta^T f(x)$ is the inner product of the parameter vector and a feature vector. Given the parametric form of an ME model in (1), fitting an ME model to a collection of

training data entails finding values for the parameter vector q which minimize the Kullback-Leibler divergence between the model q_θ and the empirical distribution p :

$$D(p \parallel q_\theta) = \sum_{w,x} p(x,w) \log \frac{p(x|w)}{q_\theta(x|w)} \quad (2)$$

or, equivalently, which maximize the log likelihood:

$$L(\theta) = \sum_{w,x} p(x,w) \log q_\theta(x|w) \quad (3)$$

The gradient of the log likelihood function, or the vector of its first derivatives with respect to the parameter θ is:

$$G(\theta) = E_p[f] - E_{q_\theta}[f] \quad (4)$$

While all parameter estimation algorithms we will consider take the same general form, the method for computing the updates $\delta_{(k)}$ at each search step differs substantially. As we shall see, this difference can have a dramatic impact on the number of updates required to reach convergence.

3. Comparing estimation techniques

The performance of optimization algorithms is highly dependent on the specific properties of the problem to be solved. Worst-case analysis typically does not reflect the actual behavior on actual problems. Therefore, in order to evaluate the performance of the optimization techniques sketched in previous section when applied to the problem of parameter estimation, we need to compare the performance of actual implementations on realistic data sets [2]. Minka [3] offers a comparison of iterative scaling with other algorithms for parameter estimation in logistic regression, a problem similar to the one considered here, but it is difficult to transfer Minka's results to ME models. For one, he evaluates the algorithms with randomly generated training data. However, the performance and accuracy of optimization algorithms can be sensitive to the specific numerical properties of the function being optimized; results based on random data may or may not carry over to more realistic problems.

And, the test problems Minka [3] considers are relatively small (100–500 dimensions). As we have seen, though, algorithms which perform well for small and medium scale problems may not always be

applicable to problems with many thousands of dimensions.

4. Implementation

As a basis for the implementation, we have used PETSc (the "Portable, Extensible Toolkit for Scientific Computation"), a software library designed to ease development of programs which solve large systems of partial differential equations [4].

PETSc offers data structures and routines for parallel and sequential storage, manipulation, and visualization of very large sparse matrices.

For any of the estimation techniques, the most expensive operation is computing the probability distribution q and the expectations $E_q[f]$ for each iteration. In order to make use of the facilities provided by PETSc, we can store the training data as a (sparse) matrix F , with rows corresponding to events and columns to features. Then given a parameter vector θ , the unnormalized probabilities q_θ are the matrix-vector product: $E_{q_\theta}[f] = F^T q_\theta$

By expressing these computations as matrix-vector operations, we can take advantage of the high performance sparse matrix primitives of PETSc.

For the comparison, we implemented both Generalized and Improved Iterative Scaling in C++ using the primitives provided by PETSc. For the other optimization techniques, we used TAO (the "Toolkit for Advanced Optimization"), a library layered on top of the foundation of PETSc for solving nonlinear optimization problems [5].

TAO offers the building blocks for writing optimization programs (such as line searches and convergence tests) as well as high-quality implementations of standard optimization algorithms (including conjugate gradient and variable metric methods).

Before turning to the results of the comparison, two additional points need to be made. First, in order to assure a consistent comparison, we need to use the same stopping rule for each algorithm.

For these experiments, we judged that convergence was reached when the relative change in the loglikelihood between iterations fell below a predetermined threshold. That is, each run was stopped

when:

$$|L(\square^{(k)}) - L(\square^{(k-1)})|/L(\square^{(k)}) < \square\square (5),$$

where the relative tolerance $\square\square = 10^{-7}$. For any particular application, this may or may not be an appropriate stopping rule, but is only used here for purposes of comparison.

Finally, it should be noted that in the current implementation, we have not applied any of the possible optimizations that appear in the literature [6], [7] to speed up normalization of the probability distribution q . These improvements take advantage of a model's structure to simplify the evaluation of the denominator in (1). The particular data sets examined here are unstructured, and such optimizations are unlikely to give any improvement.

However, when these optimizations are appropriate, they will give a proportional speed-up to all of the algorithms. Thus, the use of such optimizations is independent of the choice of parameter estimation method.

5. Experiments and Results

We performed experiments on the well known US Postal Service handwritten digit recognition task (USPS).

It contains normalized greyscale images of handwritten digits taken from US zip codes of size 16X16 pixels.

The corpus is divided into a training set of 7,291 images and a test set of 2,007 images. Reported recognition error rates for this database are summarized in Table1.

We used the most direct features possible in the experiments, which also have an interesting relation to Gaussian Models. Features of order 0, 1 and 2 are given by:

$$f_k(x, k') = \delta(k, k')$$

$$f_{k,i}(x, k') = \delta(k, k')x_i$$

$$f_{k,i,j}(x, k') = \delta(k, k')x_i x_j, \quad i \geq j$$

respectively, where $\delta(k, k') := 1$ if $k = k'$, and 0 otherwise denotes the Kronecker delta function. In the context of image recognition, we may call these functions appearance based image features, as they represent the image pixel values. The duplication of the features for each class is necessary to distinguish the hypothesized classes.

In most of the experiments performed we obtained better results using 'feature normalization'. This means that we enforced for each observation during training and testing that the sum of all feature values is equal to one by scaling the feature values appropriately. Thus, we obtain new feature functions:

$$\forall x, k, i: \tilde{f}_i(x, k) = \left(\sum_{i'} f_{i'}(x, k) \right)^{-1} f_i(x, k)$$

In the following, we only report result obtained using feature normalization.

Table 1 shows the main results obtained in comparison to other approaches along with the number of free parameters of the respective models [8]. Taking into account the class information in training using the maximum entropy framework (i.e. switching from maximum likelihood to maximum mutual information criterion) improves the recognition accuracy for first-order features from 18.6% to 8.2% error rate. Furthermore, it can be observed that the maximum entropy models perform better for second-order features than for first-order features, which stands in contrast to the experience gained with maximum likelihood estimation of Gaussian densities [9]. Note e.g. that the maximum likelihood estimation of class specific diagonal covariance matrices already imposes problems for the USPS data as in some of the classes some of the dimensions have zero variance in the training data. Here, the maximum entropy framework offers an effective way to overcome these problems. Using the equivalent of a full class specific covariance matrix, i.e. second-order features, the error rate of 5.7% approaches that of a nearest neighbor classifier, which has more than five times as many parameters.

Figure 1 shows the log-probability (2) on the training data for first-order features as a function of the number of iterations for standard GIS and heuristic speed-up GIS. It can be observed that on this data the proposed speed-up can save around 90% of training time.

Figure 1: Log-probability (2) on the training data (USPS, first-order features) as a function of the number of iterations for standard GIS and heuristic speed-up GIS.

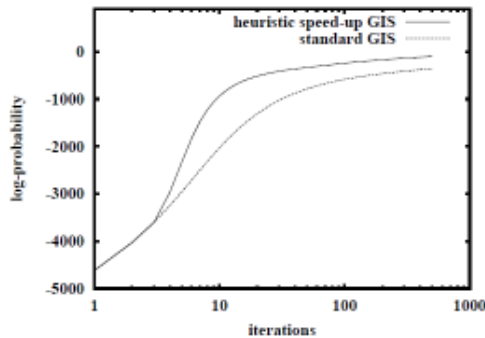


Table 2: Overview of the results obtained on the USPS corpus using maximum entropy modeling in comparison to other models (error rates, [%]). ML: maximum likelihood, MMI: maximum mutual information with pooled diagonal covariance matrix.

model	training criterion	# parameters	ER[%]
Gaussian model*	ML	2 816	18.6
maximum entropy, first-order features	MMI	2 570	8.2
second-order features	MMI	331 530	5.7
nearest neighbor classifier		1 866 496	5.6

6. Conclusion

We showed the use of the maximum entropy framework for object recognition and introduced a new heuristic speed-up technique for the training of maximum entropy models. The framework allows the estimation of a large number of parameters reliably and the corresponding optimization problem has a number of desirable properties. A further advantage of the maximum entropy approach is that it is easily possible to include new feature functions into the classifier.

We evaluated the approach for image object recognition using the US Postal Service handwritten digits recognition task. The best result of 5.7% error rate using second-order features is competitive with other results reported on this dataset, although approaches with significantly better performance exist. (Note that the latter are highly tuned to the specific task at hand while the maximum entropy approach is of very general nature.)

The accuracy of the resulting model shows that the maximum entropy approach allows robust estimation of a large number of parameters even on this small training set, which may be a problem for approaches based on maximum likelihood.

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Europe's Energy Dependence in the Current Petroleum Crisis

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Abstract

Sovereign between fuels, raw materials for industry leading longed important factor in the prosperity of peoples, "black gold" dominates contemporary civilization economy and authority, creating a true "oil era". Increasingly acute thirst for oil, caused, on the one hand, depletion of natural reserves and the increasing consumption on the other hand, is mobile efforts by developed countries to control more and more states in the Middle East, where are the main source of world oil. Almost half of the total mineral raw materials are the oil extracted. Because of this modern petroleum economy, direct or indirect influence on the development and location of the European economy.

Key words: energy, crisis, oil, petroleum product

J.E.L. classification: F50, F59

1. Introduction

Today, over 40% of the energy is obtained from petroleum. And we can not talk without energy industry, consumer and economy. Given that every day, on the European continent over 1 million barrels are extracted under conditions that Europe, with 130 of those refining its crude oil processed 770 million in 2009, can not overlook a market that has produced year past, only the extraction of oil, about 450 billion dollars.

When we talk about oil, imagine two sides of its default: a useful source of energy, engine development company, which is why the oil was metaphorically called *black gold*, but also a darker side to him, the troubles and

disputes for the possession of oil resources that it generates. Greed, corruption and human belligerent spirit reveal ever more dark side of the pool.

In the present context of a society increasingly dependent on reserves in increasingly meager oil, oil barrel price trend is volatile, unpredictable and sensitive to many factors: the ratio supply/demand, strategic oil reserves to a time, economic circumstances, political factors, military factors etc. Most industries are dependent on oil and its price fluctuations propagate throughout the economy.

The paper comes to highlight discrepancies tooth high consumption of petroleum products in Europe while the reserve area are modest, being the only notable reserves in the North Sea and Russia. Thus, until the Europeans will be able to replace oil use, new sources of energy such as solar energy, electricity, biofuel or the waste coming from, because the entire continent is higher consumption of resources will continue to be dependent on imports of parts with rich oil reserves (the Middle East, Africa etc.).

This attempt to replace oil with other energy sources worldwide should involve at least two reasons: it is estimated that current oil reserves, while maintaining consumption will be exhausted in the next 30-40 years. However, concern for the global biosystems involves, first, to reduce global pollution and oil is one of those energy sources are not *very friendly* environment.

2. Need to import oil

2008 year meant for European Union 656.9 million tones of crude oil consume

(about 6 billion barrels). As most European countries are poor in oil resources, their solution is to fill the deficit through imports.

The only EU countries which achieved net oil exports are: Norway, Denmark and Great Britain. Romania fails to provide about half of its oil from domestic farms. Rests of EU countries are dependent on resource-rich oil reserves. These countries use oil imports in proportions over 80-90% of the total.

Of the three oil-exporting countries of Western Europe, Norway is the country with the richest deposits, so has the ability to provide 15.5% of EU imports. Extract oil prices in Western Europe has the disadvantage of a much higher price than imported from other European countries but prefer areas such crude oil imports for its quality and much lower transport costs.

Figure 1 Global oil transactions (2008)



Source: Europa Annual Report 2009

Table no 1 Energy dependence of European countries in 2008

Country	Average (%)	Solid Fuels (%)	Oil (%)	Gas (%)
Austria	69,10	105,10	92,60	81,00
Belgium	77,20	95,80	97,40	99,80
Czech Republic	25,10	-14,80	96,20	93,70
Cyprus	95,90	68,00	98,60	-
Croatia	56,90	101,80	81,90	9,20
Denmark	-25,40	100,40	-67,90	-99,70
Switzerland	52,50	120,80	97,40	100,00
Finland	53,80	62,80	97,80	100,00
France	50,40	92,50	98,70	96,50
Germany	58,90	37,20	94,30	80,60
Ireland	88,30	65,10	97,00	91,40
Italy	85,30	99,20	92,50	87,00
Latvia	61,50	88,00	98,10	96,80
Lithuania	62,30	87,20	93,30	102,90
Great Britain	20,10	69,50	0,90	20,30
Norway	-664,90	-206,30	-1056,70	-1520,70

Netherlands	38,60	105,30	92,80	-64,30
Poland	25,50	-15,50	102,20	66,70
Portugal	82,00	100,50	98,90	98,70
Romania	32,00	34,80	53,70	29,80
Slovakia	69,00	95,40	91,30	97,90
Slovenia	52,50	21,00	98,90	99,70
Spain	67,30	3,30	100,90	99,60
Sweden	36,10	93,80	96,70	100,00
Turkey	74,40	49,80	96,40	97,80
Hungary	61,40	44,00	82,70	79,90

Source: EU Energy and Transport – Statistical Pocketbook 2009

Energy dependence is calculated in percent as: $\text{dependent} = \text{net imports} / (\text{consumption} + \text{reserves})$. Values exceeding 100% are found in cases which are stocks, small amounts of reduced dependence reveals that state and negative values imply that that country is exporting.

Russia is a country in Europe with rich oil reserves, so that one third of EU oil imports come from Russia. Europeans also prefer to import oil and Norway due to much smaller distances and hence lower transport costs. Other major oil suppliers of the EU member countries are: Libya, Saudi Arabia, the Middle East and Iran.

Table no 2 EU oil imports and their origin (2004-2008)

Provenance	2004	2005	2006	2007	2008	%
Russia	170,8	188,9	188,0	189,6	185,3	34,0
Norway	106,4	108,6	97,5	89,1	84,3	15,5
Libya	45,5	50,0	50,6	53,2	55,5	10,2
Saudi Arabia	65,1	57,5	53,1	51,1	39,5	7,2
Middle East	27,8	28,5	30,0	32,5	34,4	6,3
Iran	25,9	35,9	35,4	36,4	34,1	6,2
Kazakhstan	15,9	22,2	26,4	26,8	18,3	3,4
Nigeria	23,2	14,9	18,6	20,2	15,5	2,8
Other areas	56,6	56,6	66,2	66,0	78,1	14,4
TOTAL IMPORTS (million tons)	537,2	563,1	565,8	564,9	545,0	100
TOTAL IMPORTS (million barrels)	3963,0	4162,0	4186,0	4122,0	3979,0	

Source: EU Energy and Transport – Statistical Pocketbook 2009

3. European Union and international transactions of finished petroleum products

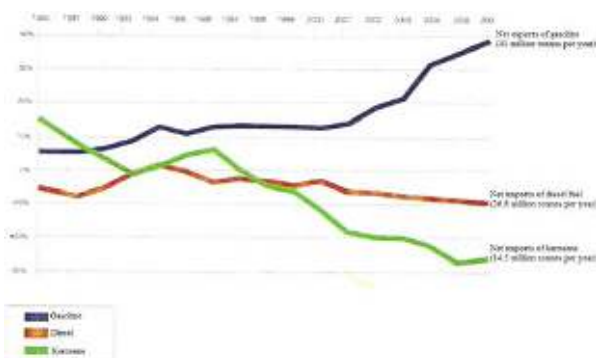
Figure 2 How Europe adjust their demand to the supply of petroleum products



Source: Europa Annual Report 2009

Growing consumption of diesel fuel and reducing appetite for gasoline makes it difficult for European producers. While in the early '90s gasoline demand was 35% higher than the demand for diesel in 2008 the situation is completely opposite: the annual demand of 195 million tones of diesel and only 100 million tons of gasoline. We note in this period, therefore, an increase of 95% for diesel and a reduction in demand for gasoline by 25%. This imbalance occurs in the portfolio of European refineries.

Figure 3 Evolution of international transactions on petrol, diesel and kerosene in the European Union



To balance the surplus gasoline production deficit of diesel, European refineries have found an ingenious solution: gasoline exports to other countries (especially the U.S., a

major consumer of gasoline) and diesel imports, mainly from Russia and CIS.

In 2006, the EU exported 42 million tons of gasoline to the United States (51%), European countries are not EU members (5%), the remaining 44% being exported to various parts of the world.

In the same year, the European Union imported 31 million tons of diesel fuel, mainly from Russia (89%) and 11% from various other countries. However, the European Union refineries exported 5 million tons of oil mainly by non-EU countries.

Figure 4 U.S. is the main market for export of petrol

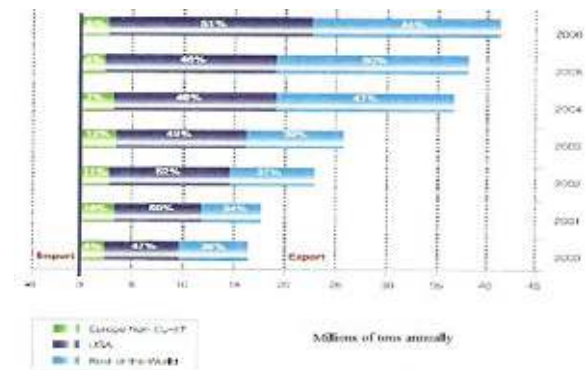
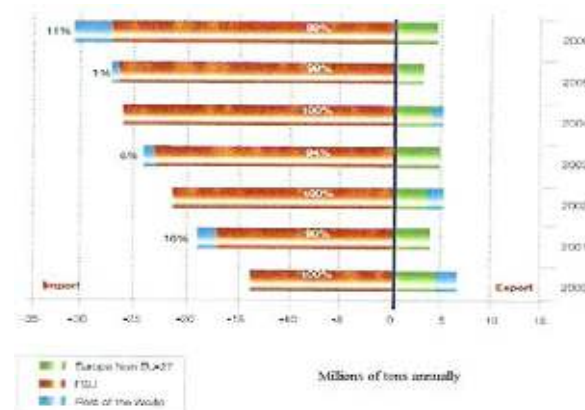


Figure 5 Russia and CIS countries are the main source of oil imports



4. Conclusions

Studying the global and European energy market and especially the European market for oil in the global context, we observed a high dependence of most European countries against imports of crude oil from Russia, Norway (the only European Union member state exporter of crude oil). Arab Emirates,

Libya, Middle East etc. And this dependence is intensified by the growing demand for oil in Europe. It is the second region after the United States, oil consumption in the order here being used 18 percent of annual global consumption of oil.

Given the positive dynamics of the appetite for oil while reducing oil resources (it is estimated that the reserves reported in the current consumption will be exhausted in about 40 years), the European countries will have to switch to other energy sources such as would be electricity, solar, biofuel. Germany has taken this issue seriously so that annually produces 5 million tons of biofuel which is sold in combination with traditional petroleum products (diesel and gasoline).

Another reason that urges shift to other energy sources is a barrel of oil price volatility (which is an unprecedented increase), which proves very sensitive to economic factors, political and even military. Since all economic areas are directly dependent on energy from oil, this vulnerability to oil price spreads throughout the economy.

European Commission places great emphasis on reducing carbon dioxide emissions and minimize pollution effects. It is well known that petroleum products are responsible for the deterioration of global ecosystems and, despite the fact that automobile production increasingly ecological disasters caused by pollution remedial reduce oil consumption and replacing it with green energy sources is impetuous required.

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Borrowing Costs – Object of IPSAS Review

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Abstract

At international level, there was need for a review of IPSAS 5 Borrowing Costs. In this context, a project has been subject to public debate – Exposure Draft (ED) 35 Borrowing Costs, by whose modeling based on subscribed observations and proposals, to be able to rebuild an international standard for public sector on this topic. Through a positivist research, based on the combination between quantitative and qualitative research, we analyze the impact of this ED on the respondents, tracking and quantifying the degree to which it meets the needs of specialists from different countries. The study is very topical, considering that in the current period, at IPSASB level there is the process of final actualization of the standard, taking into account the particulars brought to ED.

The study is of great importance for both the theoreticians and the practitioners who can get the answer to some problems of borrowing cost.

Key words: IPSAS, borrowing costs, comments, terms, debate

J.E.L. classification: M40, M41

1. Introduction

Borrowing costs include interest and other costs incurred by an entity in connection with loan funds. Borrowing costs are subject to International Accounting Standard IAS 23 and IPSAS 5.

IPSASB, the International Public Sector Accounting Standards, focuses on accounting and financial reporting of national governments, regional or local government agencies involved, and the constituencies they serve. It addresses these needs by

issuing guidelines, the promotion of reference and facilitates exchange of information among accountants and those working in the public sector or relies on activity in the sector.

Public Sector Accounting Standards are a starting point the International Financial Reporting Standards (IFRS International Financial Reporting Standards).

These were discussed and reviewed by experts in the field, although most European countries have different characteristics and issues on how to adopt national accounting standards.

Financial reporting standards, auditing standards and professional ethics add credibility to financial information, thus stimulating investment growth, stability and economic development in general.

Therefore, IPSAS development sites should consider the following elements: the statements and views of the IASB, national regulatory experience, views professional accounting organizations, other organizations interested in financial reporting, accounting and auditing public sector.

This raises the need to regulate public sector borrowing costs. On the basis IPSAS 5 Borrowing Costs, IAS 23 Borrowing Costs is issued by the IASC, International Accounting Standards Committee in 1993. In September 2008 IPSASB reviewed amendments to IAS 23 Borrowing Costs by subjecting to debate the ED 35 Borrowing Costs, with subscription term in January 2009.

This paper aims to identify topics and themes that generate discussion and comments.

Through an empirical study of the responses IFAC member countries participating in the debate on this subject, is estimated how the final form of referential will require changes in form and content.

We also interpret the position of some countries and how they support this process

Romania's public sector also falls under IPSAS sites, our country being an EU member. It wants the harmonization and convergence with international accounting standards, Romania has to take into account the provisions of IPSAS 5.

2. Review of evolution and content of ED 35 Borrowing Costs

On the basis IPSAS 5 Borrowing Costs, IAS 23 Borrowing Costs is issued by the IASC, International Accounting Standards Committee in 1993.

IPSAS 5 Borrowing Costs issued in May 2000 prescribes the accounting treatment for borrowing costs. This standard requires, in general, immediate recognition as an expense borrowing costs. However, the standard allows, as an allowed alternative treatment, the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

In early 2007, the IPSASB has initiated a development project sites in accordance with IPSAS latest changes to IFRS sites in terms of public sector. As part of this project, the IPSASB has studied the amendments made by the IASB to IAS 23 Borrowing Costs in March 2007 and opened in September 2008 an Exposure Draft with revising IPSAS 5 Borrowing Costs.

IAS 23, revised version, requires entities to capitalize borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset. Reference treatment for the recognition of an expense the costs that occur during the duty has been withdrawn.

In considering the applicability of the principles established in IAS 23 to the public sector, the IPSASB was cognizant that qualifying assets in the public sector, apart from those in GBEs, would not ordinarily be anticipated or intended to generate positive cash inflows, and that public sector entities frequently borrow for public policy purposes, including to maintain a benchmark bond rate, to sustain deficit financing and to further the government's monetary policy. At a national government level, and often at lower levels of government, borrowings are often not attributable to a particular asset acquisition or

capital project. For these reasons, the IPSASB has decided that borrowing costs in the public sector should be recognized immediately as an expense, except in certain specific circumstances [1].

The IPSASB continues, however, to maintain its strategy of converging IPSASs with IFRSs where appropriate [2]. Therefore, it permits entities that incur borrowing costs specifically to acquire, construct or produce a qualifying asset to capitalize those borrowing costs in the same way that an entity applying IFRSs would. In all other circumstances entities shall recognize an expense for borrowing costs in the period in which they are incurred.

By considering the ED35 to IPSAS 5 Borrowing Costs [3], is interested to know the answer IPSASB various organizations and professional bodies on the following topics:

- Borrowing costs should be recognized as an expense immediately, unless the borrowing costs due to a qualifying asset. In these cases the entity is allowed but not required, to capitalize those costs (1).
- Appears as the expression "specific borrowing costs incurred" in place of the term "Borrowing costs directly attributable" (2).
- The standard does not apply to borrowing costs directly attributable to acquisition, production or construction of an asset initially recognized at fair value (3).

3. Research Design

The main objective of the study is the possibility of increasing the timeliness of IPSAS 5 Borrowing Costs.

In this approach we started from a theoretical approach of the problem of the public accounting regulations with focus on borrowing costs. Subsequently, through an empirical research we will determine the degree of acceptance of the standard on three levels: on each topic questioned, on each respondent country, and as whole. By quantifying 1 (YES) or 0 (NO) we will appreciate the acceptance or refusal of each point (N = 3) under discussion.

Subsequently, we will motivate positive or negative responses depending on specific public accounting system of responding

countries.

The scientific research contributes to the efforts to deepen the knowledge required by retrospective nature imposed by the realized normative research, and by the prospective nature, given by the realized empirical research. Among the human socio science methods used in this approach, we can specify: analysis of documents, comparative method and observation method.

So, we formulate the following hypotheses:

H1. Challenging the ED 35 and its application is deemed beneficial by the respondents.

H2. Issue and application of this standard will be achieved in these discussions

To validate or invalidate the formulated hypotheses, we will analyze and interpret the answers given by respondents with reference to the three topics of discussion raised by the IPSASB on the final form of IPSAS 5 Borrowing Costs (ED 36).

4. Results

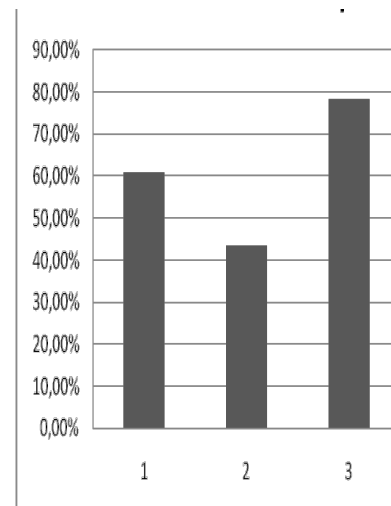
Schematic representation of the responses provided by respondents is presented in the following table:

Tabel 1. Summary of responses / countries

Question Respondent	1	2	3	Acceptance degree
Australia (3)	1	0	1	55.56%
	1	1	1	
	0	0	0	
New Zealand (5)	1	0	0	46.66%
	1	0	0	
	1	1	1	
	0	0	1	
	0	0	1	
Japan	1	1	1	100%
Great	0	0	0	58.33%

Britain (3)	0	0	1	
	1	1	1	
Canada (4)	0	1	1	41.67%
	1	0	1	
	0	0	1	
	0	0	0	
USA (1)	1	1	1	100%
Netherlands (1)	1	0	1	66.67%
Sweden (2)	1	1	1	83.84%
	0	1	1	
Scotland	1	0	1	66.67%
Switzerland	1	1	1	100%
Acceptance degree/ subject	66.87%	44.348%	78.26%	

Figure 1. Questions Acceptance degree



The table and chart above show that the subject with the lowest degree of acceptance is subject two, which means that respondents are not fully agree with the replacement of terms and use of appropriate analytical skills to understand the contents differ IAS 23. It should be noted that it is still a significant percentage of 43.48%.

At the opposite end is the last subject at a rate of 78.26% which is the best accepted by respondents. In other words, that standard does not apply to borrowing costs directly attributable to acquisition, production or construction of an asset initially recognized at fair value, is accepted as the best percentage of the three subjects analyzed.

The most important observation that should be made is that the most active members in this analysis are of the opinion that the terms used and not replaced explain very well and this contributes to the difficulty of comparing financial statements of public sectors entities.

For example the Canadian Institute has expressed disagreement with regard to the phrase "substantial period of time" and the differences between "controlling entity", "controlled entity" and "economic entity" need to establish criteria for borrowing costs in the event that the transaction involving several entities for the loan, asset acquisition or construction of a long life cycle.

Also very important is that the country with the highest degree of acceptance is the USA, Switzerland and Japan. Canada fined himself in the other extreme; this is probably due to the large number of active members.

For better highlighting of these issues will discuss in detail below country level which were the reasons for which respondents agree or not.

Australia agrees with the option to capitalize or to recognize as an expense borrowing costs when those costs specifically incurred in connection with financing construction or production of an asset purchase calificat. We are of-agreement with the proposal to require the immediate recognition of the costs of borrowings expenses when borrowing costs are not specifically incurred in relation to finance acquisition of construction or production of a qualifying asset [1].

United Body of Accountants believe that any decision to withhold or remove option and then apply the valuation standards IPSAS framework should be made only after an assessment of the relevance of information to users' needs. Because users have different needs from public sector entities to users participating in capital markets encourage a more thorough research in this area.

Although encourages the removal of options to improve comparability of financial reporting entities do not believe that the target is more important than ensuring the comparability of information that the proposed standard equilibrium. They draw attention to the fact that the fungible nature of cash makes it hard to distinguish the purpose of lending funds.

Japan agrees with this proposal. If borrowing costs are recognized immediately as an expense revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to form part of the cost of that asset.

Under the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to form part of the cost of that asset. In IAS 23, borrowing costs that are "directly attributable" to the acquisition, construction or production of qualifying assets are those borrowing costs that would have been avoided had the expenditure on the qualifying asset not been made. Such borrowings are not limited to funds borrowed specifically for the purpose of acquiring, constructing or producing a particular qualifying asset. In conclusion, they think it rational that borrowing costs be basically recognized immediately as an expense, and not capitalized.

Whether an entity is permitted, but not required, to capitalize borrowing costs that are specifically incurred on qualifying assets. Borrowing in the public sector for financing activities may be allocated to deficits in the present fiscal year or to public investment on the acquisition, construction or production of a qualifying asset. It may be rational that borrowing costs to allocate public investment on the acquisition, construction or production of a qualifying asset be capitalized when incurred, and the depreciation charge be recognized for future generations of citizens who use this asset. In conclusion, they think it rational that an entity is permitted, but not required, to capitalize borrowing costs that are specifically incurred on qualifying assets.

Audit Scotland notes the proposals in the Exposure Draft but does not believe that the basis for conclusions justifies the proposals in the circumstances of local government in the UK. Local government in the UK

borrowers generally but, in broad terms, only for capital purposes and is not allowed to borrow to run revenue deficits. In principle therefore they can see no significant difference between the circumstances of local government in the UK and the circumstances of a private sector group with a central Treasury management function, which are specifically provided for in IAS 23.

The UK Accounting Standards Board (ASB) welcomes the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) proposals for amending IPSAS 5 'Borrowing Costs'.

The proposals in ED 35 differ markedly from those in IAS 23 in that the latter generally requires capitalization of borrowing costs where they are material, whereas ED 35 proposes prohibiting this (except in the case of borrowing costs that are 'specifically incurred' which we address below). Although they support IPSASB's strategic objective to converge IPSASs with IFRS, except where there are strong public sector reasons for departure, they agree with the proposals in ED 35. In particular, we agree that in the public sector there is often no meaningful way to attribute borrowing costs to qualifying assets because borrowings are frequently used to finance current spending and because public sector entities may borrow for public policy purposes and to provide liquidity to the capital markets. Because they believe that IPSAS should only depart from IFRS where there are strong public sector reasons, they consider it important that the proposed standard sets out its arguments as clearly and persuasively as possible.

They do not agree with the proposal to permit, but not require, capitalization where borrowing costs are specifically incurred on qualifying assets. They believe options in accounting standards impair comparability and are therefore rarely appropriate. In their view, the standard should require borrowing costs that are specifically incurred for the acquisition, construction or production of a qualifying asset to be capitalized as there should be no difficulty in identifying the relevant costs.

Canada believes that an asset with long life cycle is defined as an asset that requires a substantial period of time that can be used for the purpose of good. For this standard to be

applied and interpreted correctly by the public sector institutions need to clearly specify what "substantial period of time."

Sweden believes that inclusion is not observed the relevance of different accounting policies of the current version of IAS 23. It is clear that public sector borrowing requirements are different requirements for the loan business. They are generally established for reporting public entity sector or as a whole. If there life qualifying assets and borrowing costs directly attributable, they should be required capitalization of these costs. Do not understand why they allow but not require capitalization of borrowing costs where they can be directly attributable to a qualifying asset life. Thus it is not claimed convergence towards IAS / IFRS. It is considered important to eliminate as many options as possible to ensure comparability.

5. Conclusions

This study demonstrated the timeliness and complexity of the issue of borrowing costs. It noted the comments made by respondents as the main obstacles posed by the specialized language, lack of examples of the effect and specific peculiarities of national accounts, own both the Anglo-Saxon and Continental models.

However, hypotheses H1 and H2 are found to be valid, in whole or referential being accepted. Given the lack of involvement of CECCAR in the debate ED 35, the next research we aim to determine the extent to which these claims are found in ED accepted or adapted to Romanian public accounting system.

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Basic Accounting Principles – Reference for the Consolidated Financial Reports

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Abstract

Through the implementation of the VII-th European Directive in the national legislations, the Community countries had established which are the companies obliged to draw up and publish consolidated accounts. Therefore, as a general rule, the mother company is obliged to supply, alongside with its own synthesis documents, to draw up and submit the consolidated accounts also (balance sheet, profit-and-loss account, annex), in compliance with the basic accounting principles. This paper purpose is to emphasize which are these principles found on the basis of the consolidated financial reports building up.

Key words: basic accounting principles, consolidated financial reports

J.E.L. classification: M41

1. Introduction

The group of companies established around a mother-company which assure their administration is more and more pregnantly present nowadays. Such a group forms an economic entity. It has no legal personality, but it has a sigle decision center, called group leader.

During the latest 15 years, this phenomenon became vast in scope, including a large range of activity sectors.

„The top of the tree” of the developped economies is represented by the big industrial, commercial, bank groups, or those recently established having a composite structure.

If, at the beginning of the group nascency, this one was formed from big companies, the

group structure is more and more adopted by the small and middle companies.

Between the companies forming a group, connections more and more strong has been establishing, and practically an economic unit is built up, which, in its "wish" to have informed the group, draw up, submit and publish consolidated accounts (consolidated financial reports), the company which control the group being called *consolidant company* (mother company), since the other companies are called consolidated.

To consolidate means "to substitute the sum of the participation titles which are posted in the company's balance sheet with the part of the own capitals of the issuing company, held by the consolidant company, including the quota of the financial year result to which these titles correspond."

The consolidation represents "inclusion of all the financial reports of the economic entities forming a group in a single set of financial reports and their submission as financial reports pertaining to a single economic entity."

That is to say that the consolidation purpose is to describe the financial standing, performances and financial standing development, regarding the entities included in the group (and which, draw up and submit social account especially) as it would be a single economic entity.

The consolidation is a technics and/or procedure which allow the single submission of the accounts of an assembly of companies, independent from legal point of view, but connected from financial point of view or depending on a common decision center. It allows the financial reports submission, balance sheet and results of the assembly of companies as it would be the case of a single company. For the consolidated financial reports preparation, an economic entity puts together the financial reports of the mother-company with those ones of its branches,

item by item, by the addition of the similar elements of assets, liabilities, own capitals, incomes and expenditures.

The accounting information market, organized through accounting standardizing and harmonization processes must conduce to the accounting optimization communication. If we speak about a market presence, then, compulsorily, we must speak about a product presence, and in this case the product is represented by the accounting information, which can exist only depending on the principles which define it. Therefore, the accounting principles principally underlie the accounting shaping of the economic entities.

2. The basic accounting principles – reference for the consolidated financial reports built up

In order to have consolidated financial reports which describe financial information about a group as a single economic entity, many steps must be covered, that is:

(a) the accounting value of the investment done by the mother-company in each branch and the mother-company's part from each branch own capital are excluded (according to IFRS 3, which describes the treatment: fund-commercial-result);

(b) the minority interests in the profit or loss of the consolidated branches for the period for which the reporting is done shall be identified;

(c) the minority interests in the net worth of the consolidated branches are identified separately from the own capitals of the mother-companies shareholders. The minority interests in the net worth are represented by: the value of those minority interests at the date of the initial combination calculated according to IFRS 3 and the minority part from the own capitals modifications at the combination date. The companies obliged to establish and publish consolidated accounts and a report regarding the group management can be: share companies, limited responsibility companies, share limited partnership, partnership companies and sleeping partners companies. The drawing up of these consolidated accounts is there since the moment on what a company control in an exclusive or common

way one or more other companies or when the respective company has an important influence over other companies. The consolidation allows the supply of significant information regarding the economic and financial actual standing of an economic entity set up by a company called mother-company and the companies which are under its control or on which it has a great influence, independently from the legal personality of each one of these companies.

Practically, the accounts consolidation is defined as being an assembly of technics and operations which, on the basis of the annual accounts of the companies under consolidation, conduce to the establishment of the consolidated annual accounts: balance sheet, profit-and-loss account, annex – at the group level.

All these consolidated documents must follow the general accounting principles. The definition of the accounting principles and of the valuation methods specific to the group must take into account the following aspects:

- the legal regulations which impose a certain number of principles;
- the regulations related to the accounting principles applied by each economic entity of the group;
- elements related to the principles kept for the group communication with its external environment and with the group politics administration bodies;
- regulations related to the trustworthy image concept.

The accounting principles applicable to the annual and consolidated accounts are:

- regularity, sincerity and trustworthy image;
- constancy of the methods: modifications occurred from a financial year to another one may be accepted for exceptional cases only and, compulsorily, such situations shall be described and explained in the annex;
- the opening balance sheet intangibility – the opening balance sheet of a financial year must correspond to the closing balance sheet of the previous financial year;
- operation continuity;
- prudence;
- designation: at the entry date in the patrimony, the goods purchased by onerous title are registered at their purchasing price;

- financial year independence: the related incomes and expenditures are distributed to each financial year.

The accounting principles and the valuation methods regards: the used methods , specifying those ones which are not certified for the individual accounts drawing up; the valuation methods kept for the valuation of some goods or liabilities when there is the possibility to use many methods; waivers from the accounting provisions as regards the assurance of the trustworthy image; re-evaluation, keeping of a value resulted from a re-organization; the writing off methods of the immobilizations, purchasing differences, assets and ways to take over the purchasing differences, liabilities.

The principles and ways of the accounts consolidation particularly regards: the methods used in the case of the equality establishing; selected option; in-sequence consolidation and direct consolidation; financial year closing data; treatment of the difference found out at the first consolidation; conversion methods used for the foreign branches consolidation.

The consolidated accounts are established only on the basis of the accounting principles and valuation rules, specific to the General Accounting, subject to some specific provisions and taking into account the characteristics of the consolidated accounts against the annual accounts. The accounting principles represent conceptual elements which guide the standard authors in their work of accounting norms drawing up, on the basis of the accounting postulates. At the same time, the accounting principles represent supporting elements for the financial information producers, for a correct identification in the financial reports of the transactions and other events, as well as for an accurate description of the financial standing, performances and financial standing development , by means of these synthesis documents. The accounting principles are also guides for the auditors in their activity of accounts certification. They have a more reduced generality degree than that one of the postulates, but higher than that one of the accounting norms.

The accounting principles and methods of valuation applicable to the consolidated accounts can be grouped as follows:

- **imperative :**

- homogenization;
- postponed taxation;
- exclusion of the incidence on the accounts;
- as a result of the fiscal regulations implementation;
- consolidation rules (in-house exclusions, purchasing differences).

- **optional :**

- valuation of the patrimony elements through the indexed historical costs method only;
- valuation of the patrimony elements through the change value method only;
- stocks valuation through the last in-first out method (**LIFO**) only;
- withholding of the borrowed capitals interests (intercalate interest) in the stocks prime cost;
- to register in assets the goods had by the company at its disposal through leasing contract or other similar means;
- to register in the profit-and-loss account the conversion differences coming from debentures and liabilities in currency;
- to keep the goods detained by other organisms in the individual accounts, under the specific valuation rules, at the resulted value.

The **drawing up of a referential of accounting principles and valuation methods applicable to the group** conduce to the need to proceed to **re-treatments and/or re-rating** (modifications of the individual accounts) for the companies which had utilized another referential in their individual accounts.

The notable references are: national regulations; national regulations and IASC norms; regulations of different countries where the accounts consolidation is done and which have a legal framework in this direction (U.S.A., France, Great Britain, Germany).

The **homogenization** of the valuation rules and implementation of such rules is required when a similar situation is met to many consolidated companies. The implementation of these homogenous rules has its **restrictions** also, when certain

companies carry on activities in sectors or geographical areas presenting their own economic particulars.

For the both cases, the selection of the valuation rules must be explained and meet the requirements of the methods continuity principle observance.

Depending on their implementation place (inside the country or abroad), for the branches management assessment, the mother-company managers can dispose of the national regulations and the activity sector – **homogenous bases**, that is financial documents established in compliance with the same principles. It is what allows:

- the decentralization, which paves the way for the dialog using a common language;
- establishment of forecasting elements on standardized bases;
- the control, at the mother-company level, of the reliable documents base;
- diagnosis, on the basis of reliable information.

The consolidated documents must observe the general accounting principles. The consolidated accounts are established on the basis of the accounting principles and valuation rules only, specific to the general accounting, subject to some specific provisions and taking into account the particular characteristics of the consolidated accounts in regard to the annual accounts. All these principles based on which the consolidated financial reports are drawn up must be included in the *consolidation manual*. This is a document used by the consolidation service of the consolidated company, document which establishes the options this one does, in the framework of the laws and standards in force.

This manual is transmitted to the branches, when they carry out consolidation operations. As regards its content, the consolidation manual is made up, having its established form, and it is revised from time to time and validated by the auditors group who express their opinion regarding the consolidated accounts. This consolidation manual must contain few reference information, such as: presentation of the consolidated financial reports (balance sheet, profit-and-loss account, cash flow table, own capitals variations status, annexes regarding the accounting politics and the explanatory notes); organizational chart of the companies

forming the consolidated assembly; definition of the consolidation service and consolidated entities role; consolidation schedule, which shall describe the time carrying on of the annual, semestrial, quarterly or other dates closing operations; detailing of the consolidation principles and methods selected by the consolidant company.

3. Conclusions

The principles used for the financial reports drawing up of the consolidated companies can not always to be completely aligned to those ones regarding the consolidant company, because of reasons, such as: the companies established abroad shall generally observe, for their annual accounts drawing up, accounting rules, fiscal rules eventually, specific to the residence country; the diversified groups can include companies which develop activities very different, one in regards to another one, fact which explains accounting processing adapted to the respective activities; some re-treatments occur as compulsory: exclusion of the registrations incidence generated by the fiscal rules implementation and postponed taxes accounting. As a result of the existence in the accounting practice of such reasons, the drawing up of a accounting principles manual seems to be a basic work and therefore all-important to such consolidated groups.

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Information Systems Support for Business Decisions

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Abstract

Computer systems that form larger, comprehensive study is an essential field in business administration and management, areas considered major economic zone. Thus, systems must respond to the problems of managing hardware, software, data and computer networks in a strategic way to success in business. The importance of information systems lies mainly in the understanding of effective and accountable to all the leaders (managers) or persons in an organization need to adapt to the global information society. Computer systems today are increasingly becoming a vital component of business success for an organization or an entrepreneur. Managers or users (or end) does not need to know complex or abstract concepts or technologies specialized applications in the field of computer systems, but have defined the concept in at least five areas, namely: basic concepts of computer system, computer systems technology; systems applications, software development, management information systems.

Key words: business decision, information systems, computers, management

J.E.L. classification: F50, F59

1. Concept of management information system

To understand the concept of management information system, you must first presented the concept of management information system.

A management information system consists of all data, information, information flows and circuits, as well as treatment methods and information processing cups in order to achieve an organization.

The management information system is a liaison between management system (management) and executive system in two ways: through the transmission system management decisions at the executive system "top down" and by sending information backwards, from the executive to the management system (see Fig. 1).

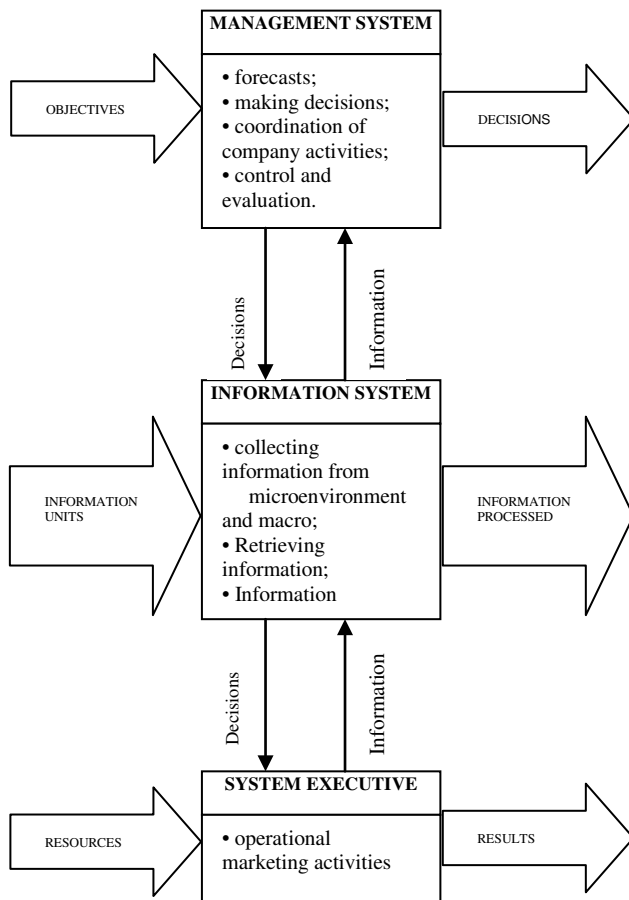
It is thus seen that all three systems are open systems in that data can enter and exit freely. In case of the management system, entries are presented as objectives to be achieved and outputs as results. In case of the information system, they are the primary information inputs and outputs of information processed by this system. In the executive system, the entries are represented by all the resources (financial material and human), and the outputs of goods or services company.

A management information system is actually a computerized management information system. Thus, information system report computer system is part of the whole.

A management information system is an organized combination of hardware, software, resources brainware (those who implement and those who use the computer system), telecommunications networks that collect, process, transmit and distribute information within a firm.

Any person in the firm that uses a computer system is considered an end user. The major beneficiaries of these

systems are effective managers, and decisions based on reports provided by computer systems.



The computer system has the following main functions:

- a) generation of information in electronic form;
- b) storing information in databases created with database management systems (DBMS's), information storage capacity and data access speed is the criteria for assessing the performance of a computer system;
- c) processing of information relating to operations such as:
 - Conversion of analog information into digital form and vice versa;
 - Creating and uploading databases;
 - Updating a database (update) involving deletion of information no longer needed and introducing the latest information to meet the needs of the IT users;
 - Database query that information equivalent to selecting certain criteria, in this case, the language SQL (Structured Query

Language) is the most popular query language of databases.

d) communication, which ensures the transfer of information within the network of computers or between computers and telecommunications networks, communication within the marketing information system is through direct consultation and network terminals outside the system by transmitting multimedia information from remototypically using web technologies;

e) the use of appropriate means for achieving comununicare information output from the system;

f) control or check system resources with respect to equipment, information base, by appointment and their allocation. Extremely important information is to verify the existence of unauthorized withdrawals from the system if they find information that competitors could cause damage. In general, access to information is restricted by password, access to information is authorized system administrator.

Anyone in the marketing department that uses the computer system is seen as an end user. The major beneficiaries of these systems are the directors / managers who can effectively underpin decisions on the basis of reports provided by computer systems.

2. The evolution of informational system inside companies

In the last five decades have been significant changes (see Fig. 2.) In the pattern of their information structures that have become in recent years of computer time.

Until the 1960s, the role of information systems was simple: use them to record operations and critical functions related to transaction processing. In the late 1960s is the concept of management information system that will transform over time management system. Its role was to provide managers predefined reports, reports containing information they need decisions.

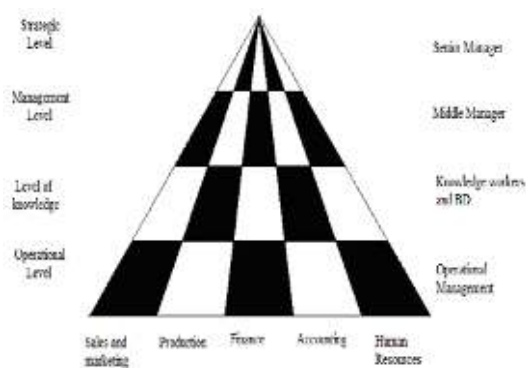
Fig. 2 - Evolution of information systems



In the period 1970-1980 noted that the predefined reports provided by information systems (Management Information System ", MIS) managers were insufficient for decision making, given that significant changes have occurred in environmental conditions, including reference to the markets. Hence the concept of decision support systems ("Decision Support System"-DSS). These systems offer end-users, especially managers, support interactive decision making process. In addition, these systems were better adapted to different management styles.

In the period 1980-1990 have revealed new roles of information systems. This period is characterized by the development of microcomputers, software packages, and telecommunications networks. Now, end users can use computerized information resources that are required to perform support duties, rather than expect an indirect support of IT services within the departments.

Fig. 3 – Types of informatics systems by their structure



It was found that most managers do not use directly any reports from management information systems (Management Information System - MIS), no analytical models of decision support provided by decision support systems ("Decision Support System - DSS). Hence the concept of executive information systems ("Executive

Information System - EIS). These systems provide critical information managers exactly what they want in the format you prefer.

Also during this period and especially in the late 1980s have emerged and have developed applications of artificial intelligence (AI) in business processes and appeared as expert systems for business ("Business Expert System"). Today, expert systems playing the role of consultants in economic problems of any company.

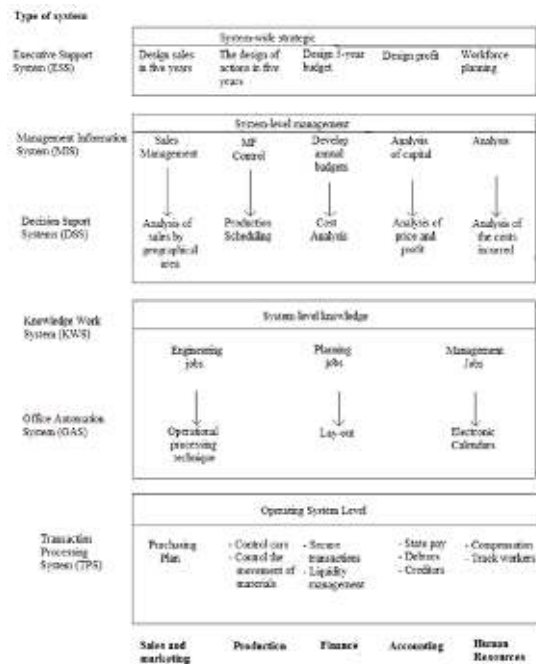
The last decade of the millennium is characterized by the development of strategic information systems ("Strategic Information System"-SIS). They play a direct role in achieving a company's competitive advantage. Michael Porter's model was the basis of numerous such strategic information systems. Companies today must rely on information technology to be competitive in highly competitive markets.

3. The 6 types of management information systems used by the company

The firms can meet the six types of information systems structured on four levels: (a) the strategic level, (2) tactical (3) knowledge and (4) Operations (Fig. 3.).

To the strategic level corresponds executive information system ("Executive Information System - EIS). At the tactical level decision support system we find ("Decision Support System - DSS and data management system (Management Information System - MIS). In the knowledge-based system locate knowledge ("Knowledge Based System "- KBS). In operational level - the system office automation activities (Office Automation System "- OAS) and transaction processing system (" Transaction Processing System - TPS). The main features of these information systems can be summarized in Fig. 4 below.

Fig. 4 - Types of information systems related organizational pyramid



Information processing methodology	information is produced by extracting and manipulating the operational data provided by TPS	The information produced by the analytical modeling data, in particular foreign
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TYPE SYSTEM	MIS management information system	DSS decision support system
INFORMATION	-	-
Decision support	-	-
Type of support	provide information about organizational performance	Provides information for making decisions in conditions of confrontation with real world business problems
Types of decisions referred to	structured planning and control decisions at tactical and operational level rarely	Semistructured or unstructured decisions for planning and control at the tactical level and rarely at the strategic level
Type of decision support	Indirect support for managerial decision making	Directly support the specific needs of managers

4. Information systems support for decision making (Decision Support System-DSS)

Decision support systems (DSS-Decision Support System) is an important category of information systems to support managerial activities. They generate an interactive computerized information support for decision-making process in an organization.

Decision support systems are in the pyramid organizational and tactical level using analytical models, specialized databases and interactive modeling decision-making processes unstructured or semistructured. There are systems that provide a rapid response information needs of end users.

Fig. 5 - The relationship between a decision support system and a management information system

TYPE SYSTEM	MIS (Managerial Information System)	DSS (Decision support system)
INFORMATION	-	-
Form and frequency of information	Regular reports on demand or in exceptional times	Forms and interactive responses
Format information	default; fixed format	Adaptable and flexible format

Decision support systems (DSS-Decision Support System) focuses on generating predefined information and decision support focuses on providing an interactive medium for various types of decisions, they assist managers in dealing with unstructured or semistructured problems which often occur in the real world, unlike the Management Information System, that address structured decision-making processes involved in planning and control at the tactical level.

Fig. 5 highlights the differences between a decision support system and a management information system.

Decision support systems (DSS-Decision Support System) are the only systems that support all four phases of decision-making process: intelligence, design, optimal solution and implement the decision. Management information systems (Management Information System), for example, are designed to provide intelligence support only for the first phase and last phase of implementation, monitoring success in the first instance decision.

For example, sales managers use management information systems (Management Information System) to get reports on sales analysis. These reports

contain performance product line sales, salesperson, region, etc..

A decision support system (DSS-Decision Support System) presented in an interactive way for sales managers on the effects of their sales performance to changes caused by various factors (such as increased spending to promote or reward sales agents) . A decision support system can use certain criteria (eg market share) to evaluate and rank sales performance factors.

4.1. Components of a decision support system (DSS-Decision Support System)

A decision support system (DSS-Decision Support System) is composed of hardware, software, data, models and human resources.

(A) Hardware resources - employee workstations are the primary hardware resources of a decision support system. Usually, these workstations ("work - stations") are connected in a local area network (LAN-Local Area Network) to facilitate information sharing.

(B) Resources software - software packages for decision support system software modules include database management, software modeling and software decisions for end-user dialog - system.

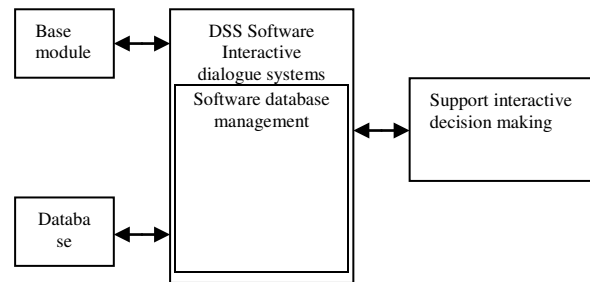
(C) Data Resources - a database of a decision support system contains data extracted from the organization's internal databases, external databases and personal databases of managers. The data are stored according to the specific type of decision.

(D) Resources of models - based on statistical and mathematical models and analytical techniques are stored as programs, files and database tables.

(E) Human resources a DSS can be used by professional managers who can explore decision alternatives.

Decision support systems (Decision Support System) are designed, implemented and developed by specialists in information technology (IT Specialists "). A Decision Support System (DSS) that can be represented Fig. 6

Fig. 6 - A type computerized decision support system



4.2. Types of analytical models used in a decision support system

Using a decision support system (DSS-Decision Support System) process involves an interactive analytical modeling. Specialized software packages for decision support systems allow managers to send requests and receive responses from them quickly.

Were highlighted four types of analytical models used in designing a decision support system: analysis of "what would happen if ...", sensitivity analysis, goal analysis and optimization analysis follow.

Analysis of "what would happen if ..."

The end user of a decision support system modifies some variable or the relationship between variables and observe the resulting changes in the value of other variables in the model.

Sensitivity analysis is a special case of analysis of "what would happen if ..." In this case, the value of one variable is changed repeatedly and observe the changes that affect other variables in the model. Analysis defines the purpose of tracking a target (goal) for a variable and makes changes to other variables until the target value is reached.

Optimization analysis - in this analysis instead of defining a target value for a variable is defined multiple target variables, subject to certain constraints and search for the optimal value. Then one or more variables subject to changes until it covered the optimal target value. It is an extension of the tracking analysis of the goal.

Raymond Panko, in "End User Computing: Management Applications," a reference book for managing information technology presents specific examples for these four types of analytical models used in decision support system, as can be seen in Fig. 7

Fig. 7 - Analytical models used in decision support system

ANALYTICAL MODEL TYPE	ACTIVITIES AND CONCRETE EXAMPLES
ANALYSIS OF TYPE "What would happen if"	- To observe how some variables affect other variables change Example: "What would happen if you reduce the advertising budget by 10%? How would affect sales?"
Sensitivity Analysis	- Is seen as repeated changes of variables affect other variables. Example: "Reduce by \$ 10,000 monthly advertising budget and to observe the effects on sales"
ANALYSIS OF TRACKING THE GOALS	- The repeated changes are made to variables until some variable reaches a target value Example: "Let's grow up monthly advertising budget when sales will reach \$ 1 million."
OPTIMIZATION ANALYSIS	- Find an optimal value for several variables, subject to certain constraints Example: "What is the best that we can spend on advertising, depending on the choice of type of media and marketing department budget."

In conclusion, decision support systems (DSS-Decision Support System) modeling and analysis tools used very complex and gives managers flexibility, adaptability and rapid responses to their requests for information.

5. Conclusions

Ethical dimension of information systems issues ensuring that information systems technology is not an improper or irresponsible manner that affects the individual or company. From this point of view is very important in the global information society to all its members benefit from information resources and have common strategic goals both at the individual level, nationally and globally. Using the organization's information systems may lead to increased profits and savings in raw materials, energy and other important resources globally.

Information systems play a vital role in the success of an organization. Thus, they can ensure internal and external information infrastructure, inter for the business needs: ensuring operational efficiency, efficient management, ensuring a competitive advantage.

A successful system must be measured not only by its efficiency (minimizing the cost, time or resource usage information) but also by the support it provides in: business development strategies, development of business processes, improving organizational structure and culture of the organization; increased turnover and business value in a dynamic environment, competitive.

In the present period most large companies have developed systems globally as a consequence of differences in raw material costs and labor in various places around the globe, while the existence of flourishing small and medium businesses using the Internet becomes a primary means of communication for the business, so an important means to promote.

Business process consists of any group of activities undertaken in order to produce a specific result-oriented to customer or market. This result appears as a consequence to step three. In a modern organization of information technology is leading to new guidelines require the use of capital and increasingly sophisticated artificial intelligence, expert systems, etc. The business environment is constantly changing and require new techniques and methods developed in this process.

Restatement of the business process is based on a new type of gândire changes in the conduct of business which is characterized by radical changes and new approaches to its effects on cost, quality, service and speed of deployment.

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Analysis of Competitive Policies in the Euro-Atlantic Area

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Abstract

The main reason of competition policy is determined by the market that can not, naturally, to function normally, requiring intervention from outside that would ensure proper development. Thus, this paper aims to analyze the competition and competition policy in the Euro-Atlantic in global business sectors. In a such sector there are some basic strategic alternatives such as global competition with a broad product line, global focus, and focus national protected niche. In the context of the analysis appears a number of trends that are very important for competition in global business sectors and creating new ones.

Key words: competition, market, competition policy, global focus, global activity

J.E.L. classification: F1

1. Introduction

Analysis of competition and competitive policies in the Euro-Atlantic area can be realised on three distinct levels: competition policy in the European Union competition policy in U.S.A. and competition policy in Romania.

The most representative country of Anglo-Saxon type of market economy, the most liberal and most avant-garde while in anti-trust legislation, the U.S. can be considered a landmark in the regulation and implementation of modern competition law.

From the institutional point of view we remark compatibility between EU, U.S. and Romania. Supervisory role of the competitive environment in the U.S. is including the Bureau of Competition Federal Trade Commission. Federal Trade Commission imposes consumer protection and antitrust law, playing an important role in the elimination of unfair and deceptive practices, while ensuring that markets function based American competition. It shall:

- Oversee mergers and acquisitions in order to prevent those that can generate higher prices, fewer competitors or less innovation;
- Identify and prohibit anti-competitive practices in the market, including trends in the formation of monopolies and cartels between competitors;
- Promote competition in areas where the impact on consumers is high, as in health, oil and gas, real estate, technology or consumer goods;
- Provides information, organizes conferences and workshops for consumers, business competition and market analysis.

American literature is distinguished by major contributions in the analysis of competition and competition policy. One example is Joseph Stiglitz, Nobel laureate in economics, which systematizes the main drawbacks of lack of competition. He says that the four major sources of inefficiency of imperfect competition [1]: restricting production, managerial inefficiency, insufficient attention paid to research and development, behavior rent seekers.

For each of these arguments are obvious: restrictions in production are determined mainly by monopolies, which attempt to maximize profit limited quantities brought to market, leading to increased prices. Managerial inefficiencies that come down to in practice, very large companies that do not have to face strong competition, tend to abandon the goal of minimizing costs. Limiting investment in research - development in industries with weak competition is generated by self-sufficiency in monopoly firms. "Searching for rent" refers to a situation that monopolies tend to consume resources in unproductive economic ways.

Also important contributions to the theory of competition brought American professor Michael Porter, whose work competitive advantage - User survival and growth of firms in the market economy [2], and competitive strategy [3] have made significant contributions in addressing competition.

2. Competition in global business sectors

Competition in global business sectors raises unique strategic problems than domestic competition. Although their resolution depends on the sector and the host and guest countries involved, the issues analyzed below will be taken into account and global competitors.

Sectoral policies and competitive behavior. Global business sectors are characterized by competitors that operate globally. Except the United States, companies and governments in the country of origin should be considered together when resort to competition analysis. Between companies and governments in their countries complex relationships are establishing, involving various forms of regulation, subsidies and other assistance. Governments of countries of origin were often targets of such employment and balances of payments, which are not strictly economic, viewed from the perspective of the firm. Sectorial policy objectives of government can set up companies, providing funds for research and development and, in many respects, the influence of their position

in global competition. Origin country governments can negotiate the home for business in global markets (e.g. construction of complex aircraft production), financed by central bank sales (agricultural products, products for defense, ships) or apply political leverage to defend the other self-interested ways. In some cases, the home government is directly involved in the company that owns, partially or completely, of the firm. A consequence of this support could be to increase exit barriers.

Competitive analysis is impossible in global business sectors without a thorough examination of relationships between firms and governments in their countries of origin. Sectorial policy of the country of origin must be understood as economic and political relations with governments of countries that government is the main global markets for the product.

It is true that, often, in global business sectors, competition is distorted by political issues, which may or may not relate to economic aspects. Acquisition of aircraft, defense products or computers may depend on political relations between the country of origin and countries of purchasing and only of the merits of producing company. This factor requires not only as competitors in a global business sector to gain insights about political issues, as well as business relations with the government of his country and the governments of countries to become truly strategic buyer. Competitive strategy should include actions aimed to produce political capital, such as positioning assembly operations in major markets, although not prove economically efficient.

Relations with governments of countries that are major markets. Business relations with governments of countries that are major markets are a key issue in global competition. Governments have a variety of mechanisms which may harm the operations carried out by global companies. In some sectors, governments are the main buyers, while other sector of their influence is indirect, but equally strong. When host governments are willing to exercise power, they can block the global competition or create strategic groups in the industry. Studies undertaken by Doz have identified three groups. The first is composed of companies that compete on a global coordinated, second, from

multinational companies (which have often a lower market share) which is a sensitive strategy to local issues and not one to integration. These companies get rid of many government constraints and even benefit the host government support. Finally, the third group consists of local firms. For international companies, sensitivity to the concerns of government becomes an essential strategic variable.

Company trying to globally compete will be involved in some major markets to obtain the necessary savings. For example, it will require some major market volume to meet global production strategy. It will be concerned with protecting the strategic position they hold in these markets, as this position will influence its ability to implement global strategy as a whole. This requirement provides the governments of host countries bargaining power and the company will have to make some concessions to defend their overall strategy. For example, Japanese companies in TVs and car industry must carry out some manufacturing operations in the United States to relieve political concerns in the U.S., so to be able to maintain sales in the U.S., which is a essential source of competitive advantage globally. Another example is provided by our company policies on hiring local IBM employees only in the host country, transfers of goods balanced between company units from different countries and undertaking research and development activities locally.

Systemic competition. By definition, a global sector is one where firms start as something global competition and build their strategies accordingly. Therefore, the competition involves global coordination of issues related to market position, facilities and investment. The overall strategy of competitors will be required, usually only a partial overlap of markets served, the geographical location of factories, etc. To maintain a competitive balance in terms of systemic investment firms will have to take defense purposes in certain markets, not to let the competitors to take advantage to strengthen their global position. Studies undertaken by Knickerbocker on international competition revealed precisely this pattern of behavior.

Difficulties in competitive analysis. This analysis is difficult because of the predominance globalized sectors and foreign companies need to review the systemic relations. Information on foreign firms are more difficult to obtain than those of U.S. firms, although this phenomenon known some improvement lately. Analysis of foreign companies may involve consideration of institutional aspects that are difficult to understand for those outside the system (such as labor practices and management structures).

3. Strategic alternative in global sectors

There are a number of basic strategic alternatives in a global sector. The most important choice the company must take refers to the way of compete: globally or by finding niches that can build a defensive strategy needed competition on one or a limited number of national markets.

Alternatives are:

Global competition with a broad product line. This strategy is directed towards global competition with the entire line of products in the industry, with global sources of competitive advantage or differentiation needed to obtain a position characterized by reduced total costs. Implementing this strategy requires substantial resources and a long time horizon. To maximize competitive advantage, the company will focus in dealing with governments on reducing impediments that stand in the way global competition [4].

Global focus. This strategy targets a certain segment of the industry in which the company will compete in the world. The segment is chosen aiming that the impediments that stand in the way of global competition to be as small as possible and firm position to be defended from incursions of global competition that appeals to a broad line of products. Strategy allows either obtains low cost or differentiation in the segment.

National focus. This strategy seeks advantage of differences in national markets, focusing on a market approach to national focus, which allows the company to surpass (in terms of performance) the firms compete

globally. This version aims to be the differentiation focus strategy, or the registration of reduced costs in meeting the specific needs of a particular national markets or segments in this market, which are most economical impediments in the way of global consistency.

Protected niche. This strategy seeks countries where governmental constraints exclude global competitors, requiring the product to be achieved mostly locally, using high tariffs etc. The company is building its strategy to deal with national markets subject to such restrictions and pays special attention to the host government to ensure that you receive proper protection.

In some sectors of the global and national strategies focus search protected niches can not be implemented because there is no impediment to global competition, while in other sectors such strategies can be defended the global competition. An approach that is gaining more ground in trying to implement more ambitious strategies in global business sectors is that of transnational coalitions or agreements of cooperation between companies from different countries operating in the industry. Coalitions allow competitors to cooperate to overcome the difficulties of implementing a global strategy in areas such as technology, market access etc. Aircraft industry (GE-Snecma), the car (Chrysler-Mitsubishi, Volvo-Renault) and electrical products (Siemens-Allis-Chalmers) are examples of sectors where global or near global coalitions have a dominant role.

4. Trends affecting global competition

In the context of the analysis made, there are a number of trends that are of great importance for global competition in sectors and creating new ones.

The reduce of differences between countries. Some analysts have contended that economic differences between developed and newly developed areas such as reduced income, cost factors, energy costs, marketing practices and distribution channels. Part of this reduction is due to aggressiveness of their techniques in the spread of multinational companies around the globe. Whatever the cause, this aggression can reduce impediments that stand in the way of global competition.

More aggressive sectoral policies. Sectoral policies in many countries are "flow". Governments of Japan, South Korea, Singapore and Germany have gone from passive or aggressive protectionist one, aiming to stimulate carefully chosen sectors. They have abandoned also considered to be inefficient sectors. This new policy provides support to the companies in those countries for taking bold action that will transform the business sectors in global sectors (e.g. construction companies' large and significant investment for entering new markets). Although companies in sectors not seen favorably by governments may fail to be noted that companies remain in global business sectors may behave differently. The noneconomic objectives brought into attention by the government involvement will have an increased role. Of course, there is the possibility that international rivalry to escalate as a result of action of these factors as barriers to increase output, with effects on stimulating rivalry.

National recognition and protection of distinct assets. Governments tend to be increasingly concerned with their distinct knowledge resources in terms of economic competition, are increasingly willing to obtain economic advantages due to the possession of these assets. Natural resources (eg oil, copper, tin, rubber) are examples of assets that were controlled by the government, either directly or indirectly through joint ventures with government-established manufacturers. The presence of numerous workforce, low paid, unskilled or semi-skilled (South Korea, Taiwan, Hong Kong) is another asset that is explicitly recognized in some countries. Intense exploitation of such assets by governments' distinct change in philosophy is a reflection of sectoral policies.

This may have consequences for global competition in core business sectors in which such assets are protected strategic importance. Foreign firms can be no effective control of key resources. For example, in oil, such a reorientation of government policies led to a reorientation of oil companies from retail and other activities designed to make profit from production to profit on each vertical stage. In other sectors, reorientation can provide companies of home advantage in competing in the global core [5].

Technological flow more freely. A freer flow technology offers a large number of companies, including those in new countries (NTD), the ability to invest in modern facilities worldwide. Some companies, particularly Japanese, became particularly aggressive in selling their technology worldwide. Also, a number of technology companies that have purchased are willing to resell other companies, in terms of prices. All these developments tend to promote increased global competition.

Gradual development of large scale new markets. Although the United States has long been a strategic market for global competition due to its unique size, China, Russia and possibly India, can become important future markets. This possibility has a number of consequences. First, if China and Russia will control access to their markets, their companies can become global competitors in first class. Second, gaining access to one or both markets may become a future key strategic variable due to the high volume of products they can sell the companies in these markets.

Competition from new countries developed. A phenomenon in recent years is the competition of new countries developed global business sectors, especially Taiwan, South Korea, and Brazil. Traditionally, NTD compete by appealing to labor and / or cheap natural resources in sectors such as textiles, toys and products of plastic. However, competition from NTD has a growing business sectors greater capital-intensive, such as shipbuilding, television production, steel production, fiber, etc.

5. Conclusions

The new developed countries are increasingly better prepared to make substantial capital investments in large scale facilities, to buy new technologies and to take risks especially large. Sectors most vulnerable to competition from both NTD are lacking following entry barriers:

- Technology is changing rapidly and can be held in property through patents;
- highly trained labor force;
- Sensitivity to the time factor;
- Distribution and complex services;
- A high content of consumer-oriented marketing;
- Load complex sales, technical

Some of these factors are impediments to global competition, as shown above. Although they may not discourage competitors from developed countries, there are difficult problems for companies in NTD, because they lack the resources, qualifications, experience, credibility, relationships and ability to understand the requirements that differ from traditional developed local markets requirements.

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Analysis of Savings in the Classics View

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Abstract

In classical period the economists saw the difference between income and consumption economy in the way of a simple empirical difference, and that because the relatively low degree of institutionalization of the end of Middle Ages society. Late seventeenth and early eighteenth century brings in "the eyes of classics" the antithesis between the noble luxury spenders (destruction of capital) and the economic bourgeois (capital creative). This opposition generates the classical conception that "economies growth can be achieved only through a reduction of consumption." In the same period Jean Stuart Mill said: "capital is the result of saving, and the only way to accelerate the growth of capital is to increase savings."

Late nineteenth century brings the emergence of a large number of individuals, potential savings and economies fructification institutionalized form, with the development and institutionalization of national banking systems of society.

Key words: saving, mercantilism, economic liberalism, investment, economic thinking

J.E.L. classification: B1, B11, B12, E2, E20, E21

1. Introduction

The transition from medieval to modern society was a radical change of perspective in the assessment of wealth and its sources. Representatives of the church, whose doctrine prevailed in the middle Ages, put emphasis on the afterlife and religious canons

and word bearers' officials' feudal society were dominated by the problem of ensuring power consumption of the community members. In these new conditions, businessmen (merchants) and new politicians moved the focus on immediate problems of individuals, to the context of money, for material wealth. In continuation of such optical extension they were followers towards a market economy, trade and disintegration amplification of heterogeneous empires, established by military force. Hence the result was the first economic thinking current, the mercantilism which put in new terms the relationship investments - wealth [1]. The three fundamental ideas of mercantilist doctrine reflect, in one form or another, this relationship and his ways of training.

2. Classical School - a true landmark of contemporary

The mercantilist supports the view that the ideal form of wealth is money, respectively the precious metal from which they were made. Therefore, the accumulation of increasing quantities of gold and silver they represent a suggested way to increase wealth. The aim of any commercial business activities, including trade order is profit. Admitting non-equivalent nature of trade (as domestic and global terms), mercantilist believes that profit results from the difference between selling price and purchase price of traded goods. Generalizing it, they acknowledged that some transactions partners loose and some wins. In their conception the foreign trade represented the

most profitable area of activity, which, in turn, ensuring the highest profits [2]. In economic and political practice, the mercantilist doctrine based the measures aimed to increase the stock of precious metals with the active support of the state, both in domestic policy as in foreign economic policy.

The main merit of representative's mercantilism (Jean Bodin, Th. Mun, Th. Gresham) is to develop measures to help stimulate trade and the establishment of accumulation of wealth, on which were created modern capitalist economy infrastructures in training. Commercialism remains current economic thinking in the first preclassical period. Such an assessment is based on the fact that they focused their attention on the scope of the movement and tried to explain the problem of the modern economy through the prism of this sphere, including savings, investment and development problem. Physiocrat economic doctrine occupies a special place in explaining wealth and its sources. For general characterization physiocrats believe are defining the following aspects, embodied in the original concepts of:

- natural order in society and optimal economic policy;
- wealth and role of agriculture in its creation;
- net product and its role in economic development;
- creation, circulation and the distribution between social classes;
- simple reproduction macroeconomic scale.

Unlike the theory supported by the mercantilist, physiocrats related concept of wealth is completely opposite. On the one hand, they believe that wealth is useful goods and precious metals, and on the other hand, it is created in production, especially in agriculture. The "economic picture", whose author was F. Quesnay, the relationship net-wealth-income economy is caught in an ingenious way. From our point of view, "economic picture" has the following merits: Quesnay expressed the production by its repetition, so as a breeding process in economy scale, this model was the first scheme of simple reproduction of capital, it is an analysis of production and circulation in

the double expression - material and money, finally the scheme was revealed that reproduction mobile (net product), which is created only in production. To continue without interruption the reproduction process - consider Quesnay – it needed to comply with certain correlation between capital and income, between final consumption and reproduction [3].

3. The contributions of A. Smith, D. Ricardo and J.S. Mill to the study the process of saving

Classical economic liberalism reached maximum rates with the creation of Adam Smith and David Ricardo and it was synthesized in the work of John Stuart Mill. The term "classic" shows substantial theoretical and methodological contribution of these thinkers in creating economic science (political economy) and economic policy foundation in the spirit of free trade. Specific current economic thinking is based on the classic three main principles: i) the first principle is the aspiration of freedom (of action and thought) of participants in economic activities, ii) practical support of freedom is the classical view, private ownership property, the foundation of modern market economy, iii) the principle of individualism in the sense that the best decisions can be made by each participant in the economic life according to his interests [4].

Within this paradigm they are discussed and considered issues relating to wealth, development and their makers. In this sense, the motivation of actions and decisions they take free private economic agents is their desire to obtain profits and gains as big advantages. Become fundamental in his classic "Wealth of Nations" Adam Smith has a new theory based on the ratio of capital increase and the law of progress. In "Wealth of Nations", he postulated that the saving and the accumulation of productive resources, and on this basis, growth capital, is a law of general progress. Moreover, the classic of political economy relates the development of a nation to the level of the nation wealth, respectively to the capital accumulated within a national economy. More deeply investigating the crucial role of work in

creating and increasing wealth, Smith compares the sphere of production work with other types of work, emphasizing the need to increase the production workload. This is the quantitative aspect of the problem. Analysis of this side of the research work is continued with the qualitative edge, which is made in relation to the accumulation of capital, with investments [5].

Productive potential of labor, amplified by the division of labor and by reducing unproductive workers can be further increased by invested capital through improved working tools. Hence, Smith analyzed the role of capital as a production factor and then the importance of capital accumulation by converting a portion of profits in additional capital. He observes and analyzes the different roles presented by the two components of capital: fixed capital and working capital [6]. The accumulation of capital, particularly fixed capital is required to increase the productive power of labor. But growth depends on the size of fixed capital gains that can be reinvested, requiring prior accumulation of resources. Reading between the lines, Smith tells us that investment is the way to increase individual fixed capital, the investment is rational decision by each participant in the economic life of increasing their wealth, and by aggregating all of these increases is obtained to increase national wealth. In the theory of Smith, measuring the effectiveness of investments is reflected in the effects they have on increasing the amount of work, especially in their effects on work output, in increments of products provided by the same amount of work. It is noted that this reasoning is valid only for what Smith called productive work "There is a kind of work that adds value to labour objects over which it exercises and another that does not have this effect." The first kind of work is called by Smith productive work, while the second kind of work is "unproductive" [7].

The theory developed by Adam Smith is supported by economist Jean B. Say that brings a certain correction motto "enriched by your production." The french economist argues that production can not continuously spores without creating that income to afford the products. It's the law of outlets, each production that creates its own market. On the same line of thought David Ricardo

referred to investment activity, first as an investment in creating means of production, following the example of the hunter who had produced his own hunting weapons. Critically analyzing how income distribution is made in England of his time, Ricardo proposes the following formula to improve the situation: "If a significant part of currency in circulation would have taken from the lazy people and from those who live in fixed income and would be transferred to farmers, industrialists and traders, the proportion between capital and income would be modified in the benefit of capital, and the country production in a short time would be much larger "[8]. What is important at Ricardo is the observation and registration in a scientifically appropriate framework, the orientation of the producers to the providing the highest level of profit activities. Orientation and reorientation of capital in investment activity is displayed by him in modern terms. Capital allocation is made by a manufacturer not absolutely changing the use of capital, but only reducing the amount of capital he has in this usage. In all rich countries there are a number of people who form the so-called class of money lenders, these people are not engaged in any activity, but live on interest. Bankers use also an important asset for the same operations.

Ricardo identified by this the investment capital sources (own sources, private loans and loans from banks), omitting his conception of liberalism because government borrowing.

Many specialists have always considered that the classical school of political economy synthesis is carried out by John Stuart Mill. Recognizing the existence of three factors of production, it brings new elements, especially in relation to capital. J.S. Mill said that all capital is productive and that results in savings. For Mill all goods are part of capital, since they exist, and their value is given by a production process.

As A. Smith, Mill believes that saving is the birth of capital. Without saving any accumulation is not possible. But, he continues, saving, absolutely necessary, is easier for the rich and painful for the poor. Mill passed Smith's conception on the definition of wealth. He proposed definition of wealth capital stock or volume.

Finally, he defines "accumulated wealth as the means and owned entirely by individuals and communities to achieve their objectives" [9]. John Stuart Mill carefully studied economic dynamics, dynamic equation put into savings - accumulation - investment - development.

Mill's definition of economic dynamics become classical: "There is a progressive movement that continued without historical interruption from year to year, from one generation to another, an increase of wealth, an increase in what is called material prosperity. All nations which we call civilized normally increase their production and population "[10].

Unlike the Ricardian concept that a single variable analysis of the development - profit, JS Mill dealt its three factors: population, capital and technology. If the population grows faster, without the technical and capital can move at the same rate, then real wages fall, and the rents and profits increase. If capital growth is fastest when nominal and real wage rises, profits fall, rents continue to rise. If technology develops rapidly, rents and profits may fall and real wages can rise. Stopping capital accumulation and technical progress in a mean steady state economy. Mill added their vision, which he regarded it as feasible that he anticipated and systematized a series of ideas presented earlier by the English classics.

4. Conclusions

Classical theory on the process of accumulation, saving, successfully passed the exam time, exceeded the experimental knowledge, perception, its role is to interpret the facts in some respects unaltered today. In fact, the economy of the developed world (contemporary) arises after liberal scheme without equal in force emulation. In fact, they have also brought neoclassical and contemporary neo-neoclassical the construction of this scheme? Complicated economy and they claim embroidered with a classic message refresh or upgrade. The finding of facts, easily observable and can not be neglected, that the world is automatically configures rich and poor, can

be seen as a mechanism in which some faster than others prosper, it has sparked interest in determining the forces acting on this mechanism and that make it work differently in time and space.

This was the end of empiricism approach to saving as the difference between income and consumption in parallel with the target of economic policy change from micro to the macro approach. Abandon the gold standard and the transition from a system of fixed exchange rates, floating rates have influenced the doctrinal approach to the phenomenon saving manner.

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Multinational Enterprises – Key Sources for Global Development and Competitiveness

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Abstract

The academic literature (in the field of international business, but not exclusively), as well as (all kind of) global statistics agree and emphasize more and more on the role and contribution of the multinational enterprises (MNEs) within the global economic context – as key sources for development and competitiveness.

The realities of nowadays and the predictable outlooks for tomorrow confirm these analysis on one hand, and raise new challenges (opportunities and threats) on the other – the emergence of multinationals from emerging countries being just one of them.

The paper aims to schematically capture in just one picture all the above mentioned transformations and evolutions that mark the present and influence the future of MNEs in terms of their contribution to global development and competitiveness.

Key words: multinational enterprises, globalization, development, competitiveness

J.E.L. classification: F23, F43, O10

1. Introduction – the global(ization) context of multinationals

Globalization reaches today (more or less, positively or negatively) all the aspects and domains of the humankind and life. Cumulative result of some very different qualitative, as well as quantitative processes and transformations which took place over time within the most different domains of the human existence, *globalization* has become the referential for almost each economical, political, military or environmentally related discourse, which *emphasizes* either on the

positive effects globalization brings to the development of the society (as a whole and of the different entities within it), or on the unwanted *failures that it determines and/or accompanies*. But one thing is for sure: we are living now some very turbulent times – some call them an age of discontinuous change – which are redefining the global (economic) architecture – or, at least, the way we were used to perceive it and to report to it until recently. It seems to be more like a *turning point* or a *transition* to another phase [11].

Some already define this new phase as *globality*, which “is not a new and different term for globalization, it’s the name for a new and different global reality in which we’ll all be competing with everyone, from everywhere, for everything. (...That’s because...) Today we look forward and see a new era emerging. We call it *globality*, a different kind of environment, in which business flows in every direction. Companies have no centers. The idea of foreignness is foreign. Commerce swirls and market dominance shifts. Western business orthodoxy entwines with eastern business philosophy and creates a whole new mind-set that embraces profit and competition as well as sustainability and collaboration” [15].

The same idea is differently expressed (into a rather antagonistic approach) as follows: “In an early stage, global companies entered emerging markets mainly to lower their costs of supplies. Today, their roles are shifting and they are key players in the development of emerging nations, which are eager to build their infrastructure and develop their domestic consumption. But *tomorrow, global companies will have to compete with the homegrown companies and brands that are being born and bred in today’s emerging nations. Emerging markets are becoming*

emerging powers. The partners of today will become the challengers of tomorrow” [9].

Under these circumstances, all the entities – countries and companies, as well – are in search for *global competitiveness*. Considering the different theoretical approaches on this subject, we believe that a good definition of the competitiveness levels is given by Karl Aiginger, as follows: “according to my interpretations, the consensus will soon be that *competitiveness* should be *defined* as the *ability to create welfare*:

- on the *firm level*, business economists and management scientists search for factors which create “competitive advantage” and then for capabilities and processes which help to “sustain” the advantages created;
- on the *regional level*, we look for supportive institutions, firm clusters, spillovers, and forward and backward linkages;
- on the *national level*, economists analyze the innovation system, the quality of education, life long learning, physical and intangible infrastructure, trust, etc.” [1].

2. Multinational enterprises – the engine of the global economy

Everybody agree now that multinationals are the engine of the global economy. But the definition of the multinational enterprise / company / corporation takes a lot of different shades, considering the different authors / academic fields / period of time, etc. it is exposed. In order to exemplify this, we will stop at two of the 2008 definitions of the multinationals:

- “a *multinational enterprise* is a large company with substantial resources that performs various business activities through a network of subsidiaries and affiliates located in multiple countries. One of the hallmarks of MNEs is that they tend to carry out R&D, procurement, manufacturing, and marketing activities wherever in the world it makes most economic sense. In addition to a home office or headquarters, the typical MNE owns a worldwide network of subsidiaries. It collaborates with numerous suppliers and independent

business partners abroad (sometimes termed affiliates)” [5].

- “a *multinational or transnational enterprise* is an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country. This is the threshold definition of a multinational enterprise (MNE), and one that is widely accepted in academic and business circles, by data-collecting agencies such as the Organisation for Economic Co-operation and Development (OECD), UNCTAD’s Division on Investment, Technology and Enterprise Development (DITE), and by most national governments and supranational entities” [7].

The academic literature on international business emphasizes among the *proactive and reactive motives* of internalization the following:

- seek opportunities for growth through market diversification;
- earn higher margins and profits;
- gain new ideas about products, services, and business methods;
- better serve key customers that have relocated abroad;
- be closer to supply sources, benefit from global sourcing advantages, or gain flexibility in the sourcing of products;
- gain access to lower-cost or better-value factors of production;
- develop economies of scale in sourcing, production, marketing, and R&D;
- confront international competitors more effectively or thwart the growth of competition in the home market;
- invest in a potentially rewarding relationship with a foreign partner [5].

Given the wide variety of the *international firms*, within the theoretical field, the well known specialist in international business Alan Rugman classifies the multinational enterprise in *four categories/types* in terms of spreading of their sales:

- firms in their home region of the triad: these are labelled *home-based MNEs*, or *home region oriented firms* – with at least 50% of their sales in their own region of the triad;

- firms in two region of the triad: these are labelled "*bi-regional*" firms – with over 20% of their sales in at least two parts of the triad plus less than 50% of sales in their home region;
- firms in a foreign region of the triad; these are "*host-region oriented firms*" – with over 50% of sales in a triad region other than their own;
- firms in all three regions of the triad: these are labelled "*global*" firms – with sales of 20% or more in each of the three regions of the triad, but less than 50% in any one region [13].

3. Basic theories on the emergence and evolution of the binomial multinationals – development

The internationalization theories have evolved over time, reflecting the realities and tendencies, the opportunities and threats, the needs and possibilities of each evolutionary phase they have been through, and also the academic field of the researchers (international economy, international business, industrial economy, resource-based theory, etc.). As a result of that, the internationalization determinants and (proactive as well as reactive) motivators, the modes of entry, the specific strategies and the evolutionary models have emphasized, each of them, on country specifics, on firm specifics or on both of them; there have been developed simple models as well as models that were trying to comprehend all the facets of internationalization (as act and or process) over time; multiple levels of analysis and multi-inter disciplinary approaches were also present [12].

During the last half of century there has been identified about *five classes of different theories* of the multinationals (as they are summarized by Wladimir Andreff into his book from 2003) reflecting sometimes very different backgrounds and approach angles – regarding the emergence and evolution of the multinational enterprises (in relationship with development):

- *the international economy of multinationals* – founded on the comparative advantages of nations;

- *the industrial economy of multinationals* – emphasizing on the competitive advantages of industries and firms;
- *the institutional economy of multinationals* – based on firm specific advantages;
- *the systemic economy of multinationals* – explaining the MNEs development in relationship with the process of economic globalization;
- *the investment development path* – an explanatory model of the foreign direct investments that is relating them with the development level of the host countries and the countries of origin for the FDI [4].

Regarding the *relationship between multinationals and development*, as the literature in the field of argues: "MNEs are vehicles through which capital and technology are transmitted to developing economies; they have the potential to increase consumer welfare, provide jobs, raise labor and environmental standards, and contribute to improved living standards and poverty alleviation. The potential impact of MNEs on development is influenced by international institutions and agreements, civil society and NGOs, and home and host country policies; the policies and practices of each of these groups must be considered and balanced alongside the motivation of MNEs themselves, to maximize the potential positive impact of MNEs [14].

But, the problem is far from being solved, because there is no unanimously recognized and assumed definition of *economic development*: "unlike economic growth, which is measured as changes in some economic magnitudes, the definition of economic development takes various forms often depending on the purpose for which the concept is being used. Thus, it may be defined to include a persistent rise in real income per capita as well as the quality of life. Others may include increasing equality of income distribution, or the degree of improvement in the lives of the lowest 20 per cent of income recipients. Furthermore, some may consider the degree to which the population of a country participates in its governance as a relevant indicator of the level of development" [2].

4. Multinational enterprises – evidences from global statistics

As Alan M. Rugman has emphasized, the generally accepted "unit of analysis" for research in international business is *Fortune Global 500*: "firms that dominate international business. They account for over 90% of the world's stock of FDI and nearly 50% of the world trade. (...) They are the key vehicles for both FDI and trade" [13].

So, if we take a look at the most recent ranking of the *Fortune Global 500* we have the *top ten* of the world's largest corporations as the Table 1 reveals it [8].

Table 1. Top Ten in Fortune Global 500 - 2011

Rank	Company	Country	Revenues (\$millions)	Profits (\$millions)
1.	Wal-Mart Stores	US	421,849	16,389
2.	Royal Dutch Shell	Netherland	378,152	20,127
3.	Exxon Mobil	US	354,674	30,460
4.	BP	Britain	308,928	-3,719
5.	Sinopec Group	China	273,422	7,629
6.	China National Petroleum	China	240,192	14,367
7.	State Grid	China	226,294	4,556
8.	Toyota Motor	Japan	221,760	4,766
9.	Japan Post Holdings	Japan	203,958	4,891
10.	Chevron	US	196,337	19,024

(source: http://money.cnn.com/magazines/fortune/global500/2011/full_list/index.html)

Taking into consideration the *location country* for the top 500 multinationals (Table 2), top three gathers together US, Japan and China (with US having an approximately double number of MNEs in top 500 than its challengers – Japan and China), while France, Germany and Britain – the second echelon – have about a double number of MNEs in top 500 than their challengers.

Table 2. Number of MNCs per country in Fortune Global 500 – 2011

Rank	Number of MNEs	Countries
I	133	US
II	68	Japan
III	61	China
IV	35	France
V	34	Germany
VI	30	Britain
VII	15	Switzerland
VIII	14	South Korea
IX	12	Netherlands
X	11	Canada
XI	10	Italy
XII	9	Spain
XIII	8	Australia, India, Taiwan
XIV	7	Brazil, Russia
XV	5	Belgium
XVI	3	Mexico, Sweden
XVII	2	Denmark, Ireland, Singapore
XVIII	1	Austria, Belgium / Netherlands, Britain / Netherlands, Colombia, Finland, Luxemburg, Malaysia, Norway, Poland, Saudi Arabia, Thailand, Turkey, Venezuela

(source: <http://money.cnn.com/magazines/fortune/global500/2011/countries/Australia.html>)

All of these firms are multinationals, but this ranking only takes into consideration the total turnover, and not the internationalization degree. In order to fix this weakness, UNCTAD has established (since 1995) a synthetic indicator named *transnationality index* (TNI). The TNI of one MNE is defined as the simple arithmetic average of three indicators: percentage of foreign assets in total assets, percentage of foreign sales in total sales and percentage of foreign employees in total employees. According to UNCTAD, a MNE is defined to be *global* if at least two of the three indicators are bigger than 50%; it results (from calculus) that less than a half of the Top 100 the biggest MNEs are global [3].

The TNI makes possible the ranking of the first 100 MNEs based on their internationalization degree. The most recent report available from UNCTAD is *The world's top 100 non-financial TNCs, ranked by foreign assets, 2008*. Its top 10 is very different from the top 10 in Fortune Global, as we can see in Table 3 [16].

Table 3. The world's top 10 non-financial TNCs, ranked by foreign assets, 2008

Rank	Company	Home country	TNI (%)
1	Xstrata PLC	Britain	93,2
2	ABB Ltd.	Switzerland	90,4
3	Nokia	Finland	90,3
4	Pernod Ricard SA	France	89,1
5	WPP Group Plc	Britain	88,9
6	Vodafone Group Plc	Britain	88,6
7	Linde AG	Germany	88,3
8	Anheuser-Busch Inbev SA	Netherlands	87,9
9	Anglo American	Britain	87,5
10	ArcelorMittal	Luxembourg	87,2

(source: <http://www.unctad.org/templates/page.asp?intItemID=2443&lang=1>)

5. BRIC countries and their MNEs – the gaining actors of the global economy?

All the above presented graphics reveal a very important (and relatively new) tendency of the global economy: the emergence and the strong momentum of the *new actors* – the so called *BRIC countries* – acronym that groups countries such as Brazil, Russia, India, China ... and maybe the South Africa, countries that are sometimes perceived to be *the winners of the XXIst century*. These big emergent countries powerfully raise essential questions/problems: their emergence within the global economic world, the rapidity of change and evolution in times of globalization, the evolution of the geo-economy under the effects of delocalization of MNEs, international division of the production process – all of these judged in terms of consequences for the developed as well as developing countries – all actors of the globalization process [6].

But who are these countries and why are they important? Into a study developed two years ago for the European Commission (which has analyzed BRICs in terms of challenges and opportunities for European competitiveness and cooperation – so, it has been taking seriously the BRICs), it was set that “the BRICs’ *common features* include *large territory and population, low income levels but also fast economic growth* resulting in the emergence of a prosperous local middle class. (...) Beyond their common

features the individual BRIC countries are rather *heterogeneous, posing quite different challenges and calling for specific policy responses on the side of their partners*, especially the EU. *Opportunities* for trade and investment in the large and rapidly expanding BRIC markets are obvious and companies from the EU are already well positioned there. Major *challenges* include the cost competition in product markets, changing patterns in global commodity flows (energy, metals and food), non-tariff barriers to trade, regulative deficiencies e.g. concerning intellectual property rights and various institutional impediments to foreign investment” [10].

6. Conclusions

The academic literature (in the field of international business, but not exclusively), as well as (all kind of) global statistics agree and emphasize more and more on the role and contribution of the multinational enterprises (MNEs) within the global economic context – as key sources for development and competitiveness.

The realities of nowadays and the predictable outlooks for tomorrow confirm these analysis on one hand, and raise new challenges (opportunities and threats) on the other – the emergence of multinationals from emerging countries being just one of them.

The paper has tried to schematically capture in just one picture all the above mentioned transformations and evolutions that mark the present and influence the future of MNEs in terms of their contribution to global development and competitiveness.

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The Increase of Competitiveness in the Romania SME's on the Current Crisis

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Abstract

SMEs are outnumbering other types of firms in the Romanian economy. For this reason, the importance given to this type of enterprises must increase.

In order to gain competitive advantage, the Romanian SMEs must choose the type of competitive advantage that it is trying to obtain and the field in which it will obtain it. The choice for the competitive field or for the activities of the firm can play an important role in determining the competitive advantage because the firm aims to establish a profitable and sustainable position against the forces that determine the competition in its field of activity. More specifically, this paper will be explored the answer of the following questions: Is the increase of the competitiveness in Romania SMEs associated with greater innovative efforts? Is in the actual crisis context a link between competitive positioning and the nature innovative efforts?

Key words: competitiveness, crisis, enterprises.

J.E.L. clasification.: G01

1. Introduction

The concept of competitiveness evolves from static competition where competitive advantage was given the gift of technical factors, the competitive dynamics of the motor factors are: the technical progress, increasing wages and modern management methods, which made the competitive advantage to overcome the economic dimension by increasing financial and productive power of the country, education, safety and quality of life. The competitiveness of a country is reflected in the evolution of macroeconomic indicators

that are presented by the national accounts.

All countries statistics result that SMEs dominate in economy, representing over 99% of the total of companies, having substantial ponders in obtaining GDP and work place distribution.

«The World Competitiveness Yearbook» the most famous Annual Report on the competitiveness of nations which examines 60 countries and competitive economic regions based on four competitive factors: economic performance, government efficiency, business efficiency and infrastructure. An important objective of governance is to support SMEs to become competitive, according to the single internal market rules.

In 2009 "The World Competitiveness Yearbook" - the most famous annual report on the competitiveness of nations - developed by the World Economic Forum ranked Romania rank 68 of 131 countries (Bulgaria reached the place 76), this being a climbing 6 places rankings from last year when it was ranked 74, came close to the place in 2005 when it was ranked 67.

The creativity of smaller companies represents the fuel of entrepreneurial spirit and of economic growth. In a transition economy, as ours is, located yet in a consolidation process and of getting stronger of SMEs sector, environment factors (generally powerfully unstable) they act through numerous and diverse compromises. Maybe the most important are the ones who have a legislative order, which are based on taxes (fiscal, firstly) dissipated, changing and sometimes contradicted.

Romania Governance Program during the period 2009 - 2012 devotes a chapter competitiveness, business environment and SMEs, and has the objectives of the government "Supporting small and medium enterprises to become competitive, according to the rules single internal market and not

distort fair competition conditions.

The base of the long term success of a firm is made by the obtaining and maintaining the strategic competitive advantage. That is why the key element in strategic marketing is represented by the identification of the resources and firm's behavior that can lead to strategic competitive advantage.

In the context of current crisis the SMEs are being affected by the situation but they should be seen also as a factor of economic revival.

2. Literature review

In terms of product innovation, it would appear that, historically, smaller firms may have contributed greatly to the improvement of existing products and even to the creation of new ones (Acs and Audretsch, 1988; Rothwell, 1978). Nevertheless, the amounts of money dedicated to research and development are not large, and the existence of a laboratory or a research team is exceptional in the SME environment (Santarelli and Sterlacchini, 1990; Kao, 1983). Formalized R&D activities continue to be concentrated in the larger companies, as shown by the official data from the OECD and the empirical studies of Acs and Audretsch (1987, 1988). In smaller companies, these activities remain informal (Santarelli and Sterlacchini, 1990; Kleinknecht, 1987), often based on the creative talents of a few individuals including the owner/chief executive officer (CEO) himself (Kao, 1983).

A firm that wishes to maintain and improve its competitive position may also consider new computer-based manufacturing technologies (Lefebvre et al., 1991). Specific strategic advantages have been associated with the adoption of these technologies: a larger flow of new products, greater customisation of products, and shorter product life cycles (Buffa, 1985). To this list, other authors have added improved product quality, improved inventory turnovers and shortened delivery cycles (Meredith, 1987; NRC, 1987; Skinner, 1984, 1985). All of these advantages enable firms to improve their competitive positions (Blois, 1988; Meredith, 1987). For smaller firms, technology adoption is indeed a crucial

decision. Special concerns might be raised regarding their capacity to modernize their facilities in order to respond to the increasing competitive pressures expected in the coming decade (Schroeder et al., 1989). Admittedly, it might seem that the adoption of innovative production processes is the prerogative of large firms, given the necessity for a substantial capital investment and the skilled workforce required to install and operate the new technologies. Nevertheless, this assumption is increasingly being challenged on the grounds that the introduction of new manufacturing technologies has contributed to making small-scale production economically feasible and therefore accessible to smaller firms (Carlsson, 1991; Carlsson et al., 1991). Meredith (1987) has further justified the adoption of technology by smaller businesses, suggesting that such firms, less hampered by organizational inertia than larger ones, can react more quickly to internal and external pressures. Because managers, even at the highest levels, are less isolated by the organizational hierarchy, they are able to play a greater role in the process of introducing the technology.

The sources of the strategic competitive advantages can be found in three categories: the first category contains the competitive advantages seen from the point of view of the industry structure, being enounced by Michael Porter in 1998. The second category is based on the resources and the third category is based on relationships. So, in the vision of Michael Porter the five competitive forces which influence the firm's activity and which put pressure on it, are: the threat coming from the new firms entered on the market; the intensity of the current competition; the pressure from the replacement products; the negotiation power of the buyers; the negotiation power of the suppliers.

The resource based perspective is based on exploring strong and weak points of the competition in order to identify the causes for a potential strategic competitive advantage. Barney defines the firms' resources as it follows: "the firm's resources gather all the goods, abilities, organizational process, firms' attributes, information, knowledge etc. controlled by a firm which allow it to conceive and implement strategies that are improving its effective power and

efficiency".

Empirical research in less developed countries shows that SMEs are poorly placed to deal with technical change and upgrading (Lall, ed., 1999). Not only do they lack the information and resources to access new technologies and skills, they often do not know how weak they are. They may be unaware of competing technologies in other countries. They may not realise the nature of the new skills and techniques needed to keep up. They may lack the entrepreneurial knowledge and education to seek the technology or assistance needed. The problem is clearly much greater for SMEs in the traditional and rural sectors of developing countries, but information and skill problems affect SMEs everywhere.

SMEs have a generic lack of resources and overall resource strategies and action plans. Thus rapid decision making by inspired leaders can fail to incorporate innovative practice due to a basic lack of fundamental resources. Mosey et al's (2002) research into innovation in SMEs showed that what they called "low growth incremental improvers" made poor use of knowledge and information, especially external customer and market information, in comparison to innovative high growth SMEs.

3. The main barriers for Small and Medium Enterprises in Romania

Romania, like other former communist countries, is in the situation of reinforcing the SME sector. In the context of current crisis, rapid development of the SME sector represents a priority, not only for the general reasons which sustain this sector in the developed countries.

Those despite economic reform, small and medium enterprises in Romania are still confronted with a series of obstacles which, in view of the economic and political instability, lead to uncertainty and to inhibition of the entrepreneurial spirit.

1. Legislative constraints: the co-existence of authoritative documents belonging to different legis systems generate ambiguities and are not in concordance; the frequent changes in legislation, the elaboration of authoritative documents which are subject to interpretation, and their deficient application, also have a

negative impact on small and medium enterprises — SMEs are known to have a limited capacity for assimilating new legislative conditions. At the time, this situation does not stimulate potential entrepreneurs, but rather creates an image of inaccessibility of the business field.

2. Fiscal constraints: at present, small and medium enterprises bear an excessive tax burden, in the sense that taxation is the same for all sectors of activity and for all sizes. This situation leads to SMEs becoming undercapitalised, making it impossible them to invest.
3. Institutional constraints: the absence of an integrated institutional framework based on collaboration and co-operation between the institutions and organisations involved in porting the SME sector, as well as the large number of these institutions, the overlapping of their functions and responsibilities, generate confusion among entrepreneurs.
4. Financial and banking constraints: although the state has taken a series of measures with a view to encouraging financial credits for SMEs, the absence of financing for these is still one of the major obstacles to the development of these firms. The large instalments of bank interest repayments and their fluctuation make this modality of financing uninteresting; entrepreneurs are forced to rely on their own resources, which are very modest; on the other hand, even the banks are not interested in co-operating with small and medium enterprises because of the very high financing costs. These costs are generated by administrative expenses and expenses for gathering information; the existing banking system is not adapted to the financing of small and medium enterprises.

Experience shows that clear competencies and responsibilities for these institutions have to be settled in order to avoid duplications and confusions and to delimit the area for action. Nevertheless, the Romanian government is not in a position either to guarantee favourable framework conditions SMEs, or to counterbalance unfavourable conditions by financial measures. Today, the view which is taken as a current guideline is

that the most important way of supporting small and medium enterprises is to encourage the business environment and the general development of the economy. Long term economic difficulties are focused attention on the importance of innovation and technological progress for business competitiveness, sustainable growth and job creation.

4. Conclusions and implications

The pillars of competitiveness are described separately, are not independent: not only they are related to each other, but they tend to reinforce each other. For example, innovation is not possible in a world without institutions that guarantee intellectual property rights, cannot be performed in countries with poorly educated and poorly trained labour force, and will never take place in economies with inefficient markets or without extensive and efficient infrastructure.

Small and medium enterprises represent an equilibrium factor at micro and macro-economical level. Having a rightful correspondent of middle class from the society, small and medium companies infiltrate monopolies and oligopolies, reducing market control of bigger companies.

In permanent economic changing environment, SMEs are flexible and possess a greater adaptation capacity, favoured by reduced dimensions and rapid decision process. They adapt easily to consumer exigencies and requirements, being more appropriate to market.

Another important aspect is the fact that these generate in a big proportion technical innovations economy applicable. Many work places will come by innovation, and new discoveries will give birth to some new entrepreneurial adventures.

Systematically, the sources of obtaining strategic competitive advantages can be divided in:

1. Characteristic capabilities. The strategic competitive advantage is obtained by constant development of new capabilities and resources as a response to rapid changes of the market. Among these resources and capabilities, the knowledge represents the most valuable asset.

2. Human resources. In the modern economy, the competition is a matter of goods and services. Factors that can differentiate an organization by its competitors, producers of goods or services from public or private sector, is represented by its employees that are the way the firm administers and use its human resources.
3. Radical innovation. The firm's long term success is related to its capacity of innovation. The firms' investments in products and processes improvement are leading to profit, but the radical innovation is one that will lead the firm on new markets.
4. Knowledge management. The growth and globalization, combined with the rapid development of the information technology had enabled firms to create sophisticated systems of knowledge management in order to create strategic competitive advantages.

Needless to say, the policies adopted must be context specific, geared to the particular conditions and institutions of the economy: what works well in one country may do poorly in another. The generic market failures that affect SMEs are similar, but there are also significant differences by level of development, industrial structures and business traditions. Devising SME support strategies is not easy – but it is imperative for national competitiveness.

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Financial Regulatory Reform – National and International Actions and Proposals

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Abstract

Since 2008, the G20, the US and the EU have taken important steps to safeguard financial stability and reshape the global financial system. Some arrangements are being put in place at the national, regional and international level. The regulatory framework includes now OTC derivatives, hedge funds and credit rating agencies. At the EU level, it was created a new institutional framework of supervision the financial market (2009) and appeared market reform proposals regarding derivatives and short selling (2010). In the US, the Dodd-Frank Act entered into force in July 2010. At the international level, it was adopted a new Basle Acord – Basel III, in September 2010. By comparison, European regulatory structure remains more fragmented than that of the US. This paper discusses some issues regarding financial regulatory reform, analysing a set of national and international actions and proposals.

Key words: financial regulation, reform, actions, proposals

J.E.L. classification: G15, G18, G28

1. Introduction

Financial world has been left to develop their own reasons to exist, and now we need new regulations of financial markets because there is a lack of adequate regulation and supervision.

What is needed is a reform of the international and European financial regulations and institutions, a new architecture for tackling global governance.

2. Strategies for actions

For many years, the global structure of financial regulation remained the same. Also, countries that had important roles in shaping the financial system remained the same. Davies and Green focus political attention on financial regulation, describing how the Asian financial crisis led to the creation of the Financial Stability Forum (FSF), which brought together for the first time finance ministries, central banks and regulators from the main financial centres [1]. They also argue that the FSF had not fulfilled its early promise because it lacked authority (it was only a Forum), capacity (it relied on others for its work) and legitimacy (its membership did not include fast growing markets like China).

Today the situation has changed, the global financial crisis revealed the weaknesses in the system, both the institutions and the rules that govern them.

In September 2008, French President Nicolas Sarkozy declared that “the under-regulated system is now finished” and added “self-regulation as a way of solving all problems is finished. Laissez-faire is finished. The all-powerful market that always knows best is finished”. At the same time, German Finance Minister Peer Steinbrück said that “the crisis marks the beginning of a multi-polar world, where the US is no longer a superpower” (cited in the EU Observer - [2]). Steinbrück's criticism of the US has been the sharpest made since the beginning of the crisis.

The main problem is that the regulation and supervision are liability of the individual states, while financial markets and their operations are global. These national differences were played out at the start of the G20 meeting in London in April 2009. The German Chancellor Angela Merkel and the French President Nicolas Sarkozy demanded

the G20 summit to open the way for a new era of global regulation of banks, hedge funds and tax havens, while US President Barack Obama and British Prime Minister Gordon Brown have agreed that "global solutions are required for global problems". Obama insisted on solving the problem by creating regulations that are "up to the task", mentioned that there is "a lot of convergence" and "enormous consensus" about this (cited in The Guardian - [3]).

In 2009, Angela Merkel attacked the US Federal Reserve, the Bank of England and the European Central Bank, warned that "we must return to independent and sensible monetary policies, otherwise we will be back to where we are now in 10 years' time" (cited in Financial Times - [4]).

Significant political events were the *G20 Summits* that have been held in Washington in 2008, in London and Pittsburgh in 2009, and in Toronto and Seoul in 2010.

At G20 Washington Summit on November 2008, the G20 leaders agreed to continue to stabilize the global financial system and improve the international regulatory framework.

G20 Summit in London on April 2009 established a comprehensive plan to reform the international financial system in two major directions being recognized that a global crisis requires a global solution. The first direction concerns the strengthening of the international financial system, the participants agreeing with the transformation of the Financial Stability Forum (FSF) in the Financial Stability Board (FSB) and improving regulation of banks, hedge funds and credit rating agencies. The FSB, a group of central bankers and financial regulators, coordinates and monitors tougher financial regulations, working with the IMF to ensure cooperation across borders. The second direction aims to reform the international financial institutions to overcome the current crisis and prevent new crises. In this respect, it was decided to review the IMF system for attracting the resources and the financial instruments used, strengthening supervision and improving representation in IMF of the emerging and developing countries and to explore ways to restore emerging and developing countries' access to credit and resume private capital flows which are critical for sustainable growth and

development, including ongoing infrastructure investment.

At G20 Pittsburgh Summit on September 2009, the leaders of the G20 decided to turn a page on the era of irresponsibility by adopting reforms to meet the needs of the 21st century economy. The member countries have pledged to change the system of IMF quota subscription setting for a better representation of developing countries, to transfer shares toward developing countries and emerging markets and to a dynamic modernization of the IMF and World Bank Group as a key element of the effort to improve the credibility, legitimacy and effectiveness of these institutions. They agreed that all standardised derivatives contracts should be centrally cleared.

In May 2010, representatives from finance ministries, central banks, regulatory authorities and academia met in Berlin to review the achievements made so far in reforming the regulatory and supervisory environments for financial markets, instruments and actors, and to discuss the remaining challenges and map the road towards more effective regulation.

At the G20 Seoul Summit on November 2010, leaders of the world's largest economies defined the core elements of a new financial regulatory framework, including bank capital and liquidity standards, as well as measures to better regulate and effectively resolve systemically important financial institutions, complemented by more effective oversight and supervision.

At the Meeting of G20 Finance Ministers and Central Bank Governors in Paris on February 2011, they agreed to implement the Basel III new standards for banks within the agreed timelines and the FSB's recommendations on OTC derivatives and on reducing reliance on credit rating agencies' ratings.

International Monetary Fund, World Bank, Bank of International Settlements, European Central Bank, Financial Stability Board and other related bodies propose *strategies for action* that address vulnerabilities and develop and implement strong regulatory, supervisory and other policies in the interest of financial stability.

The ninth Geneva Report on the World Economy examines the main threats to international financial stability - from a macro and micro perspective - focusing on the implications of the major changes that have occurred in the global financial system in the past two decades [5].

The eleventh Geneva Report on the World Economy shows that actions that banks take to make themselves safer can - in times of crisis - undermine the system's stability. In this context is deemed necessary a micro (at bank level) and a macro prudential (at system wide) regulation, and careful coordination of the two. The authors Report insist on the fact that macro and micro prudential regulation should be carried out by separate institutions since they differ in focus and expertise required [6].

In normal times, the Global Financial Stability Report (GFSR) seeks to play a role in preventing crises by highlighting policies that may mitigate systemic risks, thereby contributing to global financial stability and the sustained economic growth of the IMF's member countries.

In 2007, IMF published a comprehensive report analysing the causes and consequences of the current financial turmoil together with a list of suggested policy actions [7] and in 2009 discussed the evolution of the financial crisis, assessed the policies taken to mitigate its effects on economic activity and provided policy advice on navigating the financial challenges on the road to recovery for the global financial system [8].

In 2009, Financial Stability Board has released a report to G20 leaders on actions to strengthen transparency and accountability, enhance sound regulation, promote integrity in financial markets and reinforce international cooperation [9]. Two of the most important policy challenges ahead are those related to transparency and liquidity [10]. On April 2011, FSB highlighted differences in derivatives regulation and some countries risk missing the 2012 deadline to implement reforms.

In the UNCTAD Trade and Development Report it is recognized that a major factor that led to an increase in the number of financial crises in both developed and developing countries was financial deregulation [11].

3. Regulatory reform proposals

In some major economies such as the US and Europe were introduced national regulatory reforms while some Asian countries (e.g. China) are emerging from the crisis more financially secured and with greater international influence.

Since 2008, major reforms of regulatory framework took place in the post financial crisis period. At the EU level, it was created a new institutional framework of supervision the financial market (2009) and appeared market reform proposals regarding derivatives and short selling (2010). In the US, the Dodd-Frank Act entered into force in July 2010. At the international level, it was adopted a new Basle Acord – Basel III, in September 2010.

The new institutional framework of supervision the EU financial market was proposed in 2009, as a two-tier structure: micro-prudential supervision (by creating of the European System of Financial Supervisors) and macro-prudential supervision (by creation of the European Systemic Risk Council).

Jacques de Larosière Report (2009) recommended a new body - *European Systemic Risk Council (ESRC)*, chaired by the ECB President that should pool and analyse all information, relevant for financial stability, pertaining to macro-economic conditions and to macro-prudential developments in all the financial sectors. It also proposed an *European System of Financial Supervisors (ESFS)*, a largely decentralised structure providing central coordination for regulators, but leaving day-to-day supervision to member states [12].

In September 2009, the European Commission proposed to replace the EU's existing supervisory architecture (CEBS, CEIOPS and CESR) with the ESFS, consisting of three European Supervisory Authorities - European Banking Authority, European Securities and Markets Authority, and European Insurance and Occupational Pensions Authority - having the role to coordinate the application of supervisory standards and guarantee strong cooperation between the national supervisors. One year later, on 22 September 2010, the European Parliament voted the new supervisory

framework proposed by the Commission to work from January 2011.

Analyzing the EU economic governance reform, Dăianu defines the basic principles that should reform the regulatory and supervisory framework of the EU financial market [13].

Some market reform proposals regarding derivatives and short selling emerged in 2010.

On 15 September 2010, the European Commission adopted a Regulation on OTC derivatives, central counterparties and trade repositories in order to reduce systemic risk increasing the safety, efficiency and transparency of the OTC derivatives market. The Regulation introduces a reporting obligation for OTC derivatives, a clearing obligation for eligible OTC derivatives, measures to reduce counterparty credit risk and operational risk for bilaterally cleared OTC derivatives, common rules for central counterparties and for trade repositories, and rules on the establishment of interoperability between for central counterparties.

It has also adopted a proposal for a regulation on short-selling and credit default swaps (CDS) to create a harmonised framework for coordinated action at European level, increase transparency and reduce risks. This new framework means regulators – national and European - have clear powers to act when necessary, whilst preventing market fragmentation and ensuring the smooth functioning of the internal market.

In the United States, *Dodd-Frank Act*, signed by President Obama in July 2010, wanted to promote the financial stability of the USA by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts and to protect consumers from abusive financial services practices.

According to Michael Barr [14], this act:

- grants the Fed authority for clear, strong and consolidated supervision and regulation of any financial firm. Before Dodd-Frank Act, the Federal Reserve did not have any authority to set and enforce capital requirements on investment banks and nonbank financial institutions. The Fed is required now to use macro-prudential supervision, which takes into

account not only the risks within the institution, but the risks that the institution poses to the financial system as a whole;

- regulates derivatives markets with new rules for exchange trading, central clearing, transparency, capital and margin requirements;
- creates an essential mechanism for the government orderly to liquidate failing financial firms without putting taxpayers at risk;
- transforms regulation of the shadow banking system regarding securitization, requiring deep transparency into the structure of securitizations, including information about the assets and originators.

The *Financial Stability Oversight Council* (FSOC), established under the Dodd-Frank Act, has to identify threats to the financial stability of the United States, to promote market discipline and respond to emerging risks to the stability of the United States financial system.

In a brief speech about the future of financial regulation, USA President makes a list of seven principles of regulatory reform [15]:

- serious oversight by the government of the financial institutions that pose systemic risks;
- strong regulatory system to withstand both system-wide stress and the failure of one or more large institutions;
- openness, transparency and plain language throughout the financial system;
- strong and uniform supervision of financial products marketed to investors and consumers;
- strict accountability, starting at the top;
- a system of regulations that cover appropriate institutions and markets, and is comprehensive and free of gaps;
- high regulatory standards in the United States and in other countries to prevent global crises.

On September 2010, the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision announced a strengthening of capital requirements - *Basel III*. The Committee agreed a package of reforms that raises the minimum common equity requirement from

2% to 4.5% and requires banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirements to 7%. But these new standards are to be fully implemented by 2019.

4. Conclusions

For many years, the global structure of financial regulation remained the same. Today the situation has changed, the global financial crisis revealed the weaknesses in the system, both the institutions and the rules that govern them.

Since 2008, the G20, the US and the EU have taken important steps to safeguard financial stability and reshape the global financial system. Some arrangements are being put in place at the national, regional and international level. The regulatory framework includes now OTC derivatives, hedge funds and credit rating agencies. At the EU level, it was created a new institutional framework of supervision the financial market (2009) and appeared market reform proposals regarding derivatives and short selling (2010). In the US, the Dodd-Frank Act entered into force in July 2010. At the international level, it was adopted a new Basle Acord – Basel III, in September 2010. By comparison, European regulatory structure remains more fragmented than that of the US.

Economic cycles can not be removed, so that crises will occur in the future. It is required to identify appropriate policy and regulation in the international and also European financial markets and to create a financial stability framework in the world and in the EU. These are crucial to avoid future severe financial crises, to minimize the costs when they happen and to prevent a financial disaster with its effects on the real economy. The main problem is that the regulation and supervision are liability of the individual states, while financial markets and their operations are global. But an unified international regulatory system of the financial markets it is hard to imagine now.

The international financial system needs a regulatory structure that try to balance the incentives for innovation and competition with protections from excessive risk-taking. The new rules should consider to reduce the

cross-border regulatory arbitrage and to provide financial stability at the global level.

5. Acknowledgement

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The Importance of Rating in the World Market.

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Abstract

The market of the credit rating is characterized by low competition and a potential conflict of interest, due to the system of remuneration of the rating services, which impairs the reliability of the judgement delivered. Multiple credit rating means further costs for companies, because of the fees paid to more than one rating agency, but it does bring significant benefits in terms of the dissemination, on the market, of judgements concerning the companies.

Key words: rating agencies, split-rating and multi-rating

J.E.L. classification: G14, G29

1. Introduction

Financial failures of the recent important companies have had negative repercussions on the credibility of the major rating agencies. Criticism of the agencies behavior focuses primarily on their effective independence from the companies they rate: agencies, in fact, are considered to have a inclination to up-rate rather than down-rate, so their decisions cannot be considered a trustworthy measure of the real value of the rated securities.

This lack of trust by the market could determine an increase in the costs incurred by companies in collecting capital resources: a possible solution to this problem is multiple credit rating. Investors in the financial markets do not have access to the same sets of information and large-scale differences among participants trading on the same market (i.e. horizontal information asymmetry) may negatively affect capital flows.

2. The rating process

The main bond rating agencies in the United States are Moody's Investors Service (Moody's) and Standard and Poor's (S&P). Since the mid-1980s there has been a tremendous increase in rating activity. In the 1980s S&P and Moody's employed only few dozen whereas today they employ thousands. Moody's annual revenue reached \$600 million in year 2000, of which more than 90% was derived from bond rating, and its total assets amounts to \$300 million. Moody's financial results reveal high profitability with annual net income in 2000 reaching \$158 million (52.8% of its total assets).

In 1975, the SEC (Securities and Exchange Commission) recognized Moody's, Standard & Poor's, and Fitch as the first NRSROs (Nationally recognized statistical rating organization). But since then, only four additional rating agencies – McCarthy, Crisanti & Maffei in 1981, Duff & Phelps in 1982, Ibca in 1990 and Thomson BankWatch in 1991 – have gained regulatory approval. Since then a market has developed that is skewed towards Standard & Poor's and Moody's, accounting for 80% of market share. Fitch has tried to maintain its competitiveness by purchasing Ibca, Thomson and Duff & Phelps, which had earlier acquired McCarthy.

According to rating agencies definition, a rating is an opinion on the creditworthiness of an obligor with respect to a particular debt. In other words, the rating is designed to measure the risk of a debtor defaulting on a debt. Both Moody's and S&P rate all public issues of corporate debt in excess of a certain amount (\$50 million), with or without issuer's request. However, most issuers (95%) request the rating. The rating fees are based on the size of the issue and not on any known characteristic of the

issuer. These fees are relatively small compared to the size of issues.

When an issuer requests a rating for its issue, S&P assigns a special committee and a lead analyst to assess the default risk of the issuer before assessing the default risk of the issue itself. The committee meets the management for a review of key factors affecting the rating, including operating and financial plans and management policies. Following the review, the rating committee meets again and discusses the analyst's recommendation. The committee votes on the recommendation and the issuer is notified of the decision and the major considerations. The S&P rating can be appealed prior to publication if meaningful additional information is presented by the issuer. The rating is published unless the company has publication rights, such as in a private placement. All public ratings are monitored on an ongoing basis. It is common to schedule an annual review with management. Ratings are often changed.

Principal factors considered in assigning a rating are: industry risk (e.g. each industry has an upper limit rating – no issuer can have a higher rating regardless of how conservative its financial posture); size – usually provides a measure of diversification and market power; management skills; profitability; capital structure; cash flow and others.

3. Characteristics of the rating agencies

The value of the service provided by rating agencies is based on their reputation, and a different reputation determines a different degree of importance of the rating assigned on the investors' decisions.

The analysis of the ratings assigned by agencies shows that investors react differently to the available information on a company, based on the characteristics of the agency announcing them. The principal differences among rating agencies consist in the reactivity of the rating to the new information and to the different capacity of the models employed to assess the credit risk of companies operating in certain industry sectors or countries. Small differences of assessment may simply be due to the different sets of information used

for rating purposes, besides the different requirements imposed on the company in order to ensure its ongoing inclusion in a certain rating class. Based on the analysed data and adopted criteria it is possible that the evaluations made by a certain agency are more or less reactive to the changes occurring in the company's characteristics.

The different reactivity of the assessment is obvious, above all, when one examines the rating classes that discriminate between investment grade and non-investment grade securities: it is possible, in fact, to distinguish between agencies assigning ratings sensitive to any new information on a company, from those that proceed to up-rate or down-rate a company only in the face of very significant changes.

Moreover, there can be significant differences in the rating assignment by the same agency if, in the period concerned, there are substantial changes in the assessment criteria used to identify the class in which to rate the company.

The market assessment of a rating announced by an agency, therefore, may change in time, according to the changes perceived in the evaluation criteria employed.

The characteristics of the industry sector or of the country where the company is based can affect the credit riskiness of the company and the agencies' capacity to accurately assess it. The rating's capacity to accurately determine the risk profiles of an investment in companies operating in a certain industry sector or country partially depends on the broadness of the benchmark sample on which the rating model is calibrated: the bigger the number of companies belonging to a certain sector and/or country assessed by the agency, the greater the capacity of the model employed by the agency to accurately identify the risk profiles of the investment in securities issued by companies with the same characteristics. Differences in the calibration of the analysis models cause agencies to assign systematically different ratings: some agencies, in fact, tend to overestimate the riskiness of certain types of companies, while others may underestimate it. Irrespective of the problems related to the possibility of conducting assessments based on more or

less broad samples of customer companies, there is empirical evidence of the fact that locally-based companies are assessed according to more favourable criteria by certain rating agencies, especially the smaller ones.

Moreover, it has been found that split ratings for the same company has different effects on different industry sectors. This type of split rating is typical primarily of those companies that post intangible assets in their financial statements whose evaluation is greatly influenced by the analysis criteria. Split-rating can be interpreted differently by the market, according to the relative weight given by the market participants concerned to the discordant announcements: the higher the value given by the market to the discordant announcement, the greater and prompter the reaction to the split-rating assignment.

The small number of rating agencies on the market (less than 50) can be justified in the light of the strategies adopted by the agencies to compete on the market. Agencies, in fact, have no incentives to compete, with regard to the stringency of the assessment criteria or the fees applied: in the former case, the adopted policies would determine a loss of the trust by the market in the medium-to-long term; while in the latter case, the decision to cut proceeds would have a negative effect on profits, because the rating process costs are substantially fixed costs. Therefore, rating agencies tend to pursue an acceptable competition, such as not to reduce their profits and not to risk their reputation by introducing less stringent rating practices.

Theoretically rating agencies offers an objective evaluation of firms and aim to define prudential evaluations for the risk of reputation losses. Empirical evidence demonstrates that the relationship between a securities issuer and a rating agency entails the frequent exchange of information and - in the medium-to-long term - the interests of the two parties may converge, leading the agency to favour its client by assigning a particularly favourable rating.

Studies have shown how the larger the number of agencies involved in the credit rating process, the more independent and reliable that process will appear to the market; and if the ratings assigned by the

different agencies ultimately agree, this may generate - in the long run - positive effects on the price of the issued securities. Moreover, multiple rating could also represent a means for achieving the following goals:

- ✓ obtaining financing at lower interest rates, thus creating the conditions for charging intermediaries less, in terms of asset requirements, in the event supervisory authorities provide that these requirements may be estimated in accordance with the borrower's rating;
- ✓ giving out positive signals to the market, by requesting other agencies to assign rating, in order to provide a full picture of the issuer's financial potential and, consequently, to place the issued securities at better prices.

Multi-rating has significant advantages, especially if the new rating is better than the previous ratings: therefore, if all the rating agencies have an equal reputation, companies will prefer to hire the services of those which, as a rule, assign more favourable ratings (so-called "rating shopping").

The fact that positive effects only ensue as a result of the announcement of a good rating by a rating agency tends to encourages issuing companies to hire those that disclose the results of the rating assignment process only with the companies' consent: in this case, the rating can be assimilated to an option exercised by the company, with the decision to divulge its rating only if this translates into favourable effects for the company.

4. Conclusions

The rating market is characterized by a lack of essential conditions for assuring competition and the objectivity of the ratings assigned is ensured mainly by the reputation of the rating agencies. The need to maintain one's current reputation is the sole deterrent against an opportunistic behaviour on many financial markets; but on the credit rating market, in order to further reduce the problems descending from the impossibility of an *ex ante* assessment of the quality of the services supplies, alternative solutions may be found, such as multiple credit rating.

Multiple rating means higher costs for companies, which are required to pay the fees of more than one agency. Such a decision may be justified only if the indirect return on this investment - translating into the possibility of placing one's securities on the market at higher prices – is sufficiently high. The empirical surveys presented in the literature on the subject highlight the possibility of making profits through by this means, but there are numerous difficulties in quantifying the overall impact on securities issued by a company, in connection with a new rating announcement by a different agency.

The impact of split-rating varies according to the characteristics of the rating agency and, in particular, the more influential the agency, the higher the securities-trading impact of the different rating announcement. The effect of changes in rating is also influenced by the nationality and industry sector of the company concerned: ratings by domestic agencies are more highly considered by investors, and a greater expertise in a certain sector is highly appreciated by the market, which thus takes its judgement into greater account.

The evolution of the rating market, and its future prospects, seems to outline a number of scenarios in which the choice by companies to call in more than one rating agency might bring greater benefits and represent not only a possible alternative but, in some cases, become a necessity, in connection with the placement of its securities.

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The Complexity of Educational Services

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Abstract

The evolution of services in general and education in particular, is determined by their complexity. The need to address educational activities in a marketing optics is given by the similarities they have with the economic activities of service provision. Particularities of educational services market should be seen in relation to divergent nature of education: the collective good in terms of supply and the demand side private good.

Key words: complexity of services, marketing services, education, services market

J.E.L. classification: M31, I21

1. Introduction

According to American Marketing Association (AMA), "services are activities, benefits or utilities that are offered on the market or provided in conjunction with the sale of a commodity". For Philip Kotler "service is any activity or benefit that one party can offer another, which is generally intangible and whose result does not imply ownership of a commodity"[1]

On the same line is KJ Blois who believes that "service is any activity that provides benefits without necessarily implies an exchange of tangible goods"[2] One of the definitions given by experts of the field in Romania is that the service "is a human activity, with specialized content, resulting in effective, immaterial and intangible designed to meet a special need. The same time, services are independent, autonomous activities in deepening the social division of labor and are held separately in a sector called tertiary sector "(Ioncica 2000)[3]

2. The content of marketing educational services

Marketing services is a specialized field of marketing. The services approach has resulted in the establishment of two distinct areas: general marketing, in which all the common elements are highlighted and marketing services sector (the branch) in which elements of differentiation are specific to certain categories of services. In this category is educational marketing, too. The essence of marketing education is to provide a marketing mix tailored to market needs. Educational institutions and programs recognize that good service, efficient, are ways to better meet target market. Without satisfy their target market, institutions will find themselves adrift and will be forgotten. Market needs means that the institution will not neglect its distinct mission and competencies to provide only educational programs that are in fashion at a time. Rather, consumers will seek education institutions to be interested in the current offer and then adapt the offer to make it as attractive. An educational institution marketing oriented focuses on understanding and meeting the needs of its beneficiaries.

3. Particularities of educational services

The most striking particularities are found in terms of the marketing mix. So, defining the **product starts** at the widest sense given its graduates expressed "delivered" on the labor market, a product made from a complex process in which are found both activities undertaken by educational institutions, and efforts by their own people in order to achieve certain performance studies in the narrow sense product includes only activities

which provide "model students" and students according to consumer needs and workforce skills "raw material" at their disposal. Making "product" in the narrowly sense on issues relating to the manner of operation of the educational process.

Price policy in education services is done differently. If public education costs are borne by the state budget and in most part by fees paid by some of the students, those admitted to the form of education "pay". In private universities payment of benefits is done by students and other sources (commercial activities, supplies, services). In many cases (especially for post-graduate courses, the various contracts between students and companies) are fees paid by certain organizations, whose employees are or will be people in the study. This takes the form of scholarships.

Distribution policy addresses the educational services, first market agents, beneficiaries of the "product" offered by them in the market. In conditions of growing competition fierce in the market of educational services, many medium and higher education institutions, included in the scope of cooperation concerns with economic agents in the proper placement for graduates. Such an orientation has proved particularly valuable, increasing the prestige universities and offers a host of opportunities forward for closer ties with the "market".

Its content, distribution of educational activity is reduced in scale compared to other sectors. Practically, therefore, strategic options are based on using only two criteria, namely: the number of brokers to market behavior. Number of intermediaries such strategic alternatives apart: direct distribution through intermediaries and mixed.

In case of direct distribution of its educational unit is a section that makes direct contacts with current and potential market agents, informing them and providing students, organizing student-agent market meetings. Distribution through intermediaries means institutions conducting activities with the help of specialized work placement (companies, government agencies) or by contacting a number of institutions of representation of market agents (employers' associations, ministries). Mixed distribution strategy is achieved by simultaneous use of two variants. Compared to all the above

educational institution may adopt active behavior, initiating contacts and cooperation with economic agents alternatives or passive behavior, responding to their requests in accordance with their interests.

In the educational services are aimed **promotional activities** alike, students (in their capacity as potential students), undergraduate alumni (to complete their university training) and businesses, occupying in this respect, in the marketing mix, a product similar position.

The central objective of all policies to promote the establishment and strengthening it forms a real image and positive affirmation of prestige and providing information to potential clients.

Direct printing (brochures, leaflets and brochures), free advertising, public relations and brand use (university logo).

Very frequently used a series of actions designed to cultivate an attitude of pride to all who have crossed the threshold of the university, both during their studies, and subsequently by the establishment and support of student sports teams, the issue of jubilee wafers, using symbols, printing name and logo on various promotional materials (pens, bags, clothing).

Among specific actions stands and organizing symposia, scientific sessions, editing scientific publications, support of special scientific (congresses, meetings), organizing events highlighting moments homage evolution prestigious institution.

4. The complexity of educational services

Process is given by the character of the benefit, because almost each activity can be decomposed into partial processes. In the first phase, there are processes for partial cycle's primary, secondary, high school, higher education, which interact with each other. Then, within each period can be addressed as partial processes, activities for a year of study. In a year of study for each semester there are processes, and in the first half of each subject in hand. Specific tools such benefits are the curricula, syllabi, textbooks and courses provider-client relationship itself is a special type enshrined in laws and regulations.

Addressed in terms of marketing these relationships is as follows: (Olteanu) [4]

- Are subjected to processing people through tangible actions;
- Relationships are strong, formalized, delivery is discontinuous;
- Provider-client contacts ensure a high degree of customization while the benefit system permits limited;
- Application (students, graduate), and annual cycles fluctuate, the resilience of the low bid;
- The client is moving at the benefit, there is one place of delivery with multiple outlets (buildings, rooms, laboratories);
- Staff contact has high influence on the benefit, while a small equipment;

5. Conclusions

Institutions that understand and apply marketing principles often reach their goals more effectively. They need to attract resources to motivate employees and to attract consumers of education. Marketing is the applied science concerned with efficiency and effectiveness of trade and is applicable as well for educational institutions. Why is marketing important educational? Because: university autonomy increases, because the number of students decreases, but increases competition in both public and in private and not least to diversify potential beneficiaries' expectations. So, marketing offers tools to compare what is now the institution's mission and objectives. Careful, detailed analysis is the basis for programs that address real problems. Marketing helps to identify problems and to plan responses to help the institution in fulfilling its mission.

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Current Trends in Public Services Delegated Management in Romania

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Abstract

Public services must play a very important part in the local public administration of Romania and of all the other European states, in the light of the significant effects they have on the economic, administrative, social and political sphere.

The present paper focuses on emphasizing the need to inculcate administrative law contracts for the management of public services in the administrative practice, in an attempt to highlight the noticeable benefits they bestow on serving the general interest should the administration delegate management to other public or private entities.

Key words: public services, delegation, management, public administration.

J.E.L. classification: K23.

1. Introduction

The homogenous juridical and institutional framework, the objectives, the competencies, the duties and the specific instruments employed in setting up, organising, managing, financing, operating, monitoring and controlling the provision of public utilities community services have been established in Romania through the enforcement of Law no. 51/2006 for public utilities community services (published in the Official Gazette of Romania, no. 254 of 21.03.2006).

Given the diversity of the activities performed by local communities, the administrative practice has revealed three main local management procedures: direct

management, delegated management and partnerships.

Direct management is employed when a local authority assumes the responsibility of controlling the organisation and functioning of a public service. This service will therefore fall under their supervision and, as such, no public or private law legal person can interfere between the public service and the community.

Delegated management occurs when the local community that has created the public service decides to entrust its management to a public or private person from outside the local community.

Partnerships function as “local management methods when a local community volunteers in an activity organised by another community or by the state, when this activity has a direct impact on the development of their area as well”.

2. Types of public services delegated management

The juridical relationships between the administrative-territorial units or, as the case may be, between the inter-community development associations dealing with public utilities services and operators are governed by:

a) orders for commissioning, established by the governing bodies of the administrative-territorial units – in the case of direct management;

b) orders for assigning and delegated management contracts, established and approved, respectively, by the governing bodies of the administrative-territorial units – in the case of delegated management.

The juridical agreements between the suppliers of public utilities and the actual

beneficiaries of these services are governed by contracts, developed in compliance with the framework contract for the supply/provision of public utilities services, drafted by the specific regulatory authority, in compliance with the current legal provisions, service regulations and their specific tender books.

The public and/or private property assets of the administrative-territorial units that are part of the public utilities systems and are used for the supply/provision of services can be:

a) commissioned to operators, based on the commissioning order – in the case of direct management;

b) leased to operators in compliance with the law, based on the assignment order and on the contract that delegates the management of the service – in the case of delegated management.

According to the provisions of Article 30, paragraph 1 of the Law, delegated management is defined as the management method by which the local public administration authorities or the inter-community development associations handling the provision of public utilities, on behalf and on account of the member administrative-territorial units, assign to one or more operators all or just part of their own competencies and responsibilities related to the supply/provision of public utilities, as well as the leasing of the public utility systems related to those services, respectively the right and the obligation to manage and operate those services, based on a contract, hereinafter called management delegation contract.

The public utilities delegated management contract is an administrative contract, regulated in Art. 30, paragraph 6 of the law and defined as “a written contract by which one or several administrative-territorial units, either individually or in association, as delegators, assign, for a defined period, to an authorized operator, as delegate, who acts at his own risk and responsibility, the right and obligation to supply/provide a public utility service or, as the case may be, the activities entailed by that particular service, including the right and obligation to administer and operate the technical-urban infrastructure related to the services/activities supplied/provided, in exchange for a fee,

depending on each case”. The delegated management contract can also be signed by the inter-community development association handling the public utilities services on behalf and on account of the member administrative-territorial units that act as delegators. For instance, the order of the Suceava Local Council no. 33/25.02.2010, has mandated the Inter-community Development Association “County Association for water and sewerage Suceava (A.J.A.C. Suceava)“, registered in the List of associations and foundations at the record office of the Suceava Court of Justice with the no. 26/2002/A/I, of February 9th, 2010, whose member is the Suceava municipality, Suceava County, to sign the *Delegated management contract for the water and sewerage services with S.C. A.C.E.T. S.A. Suceava*, represented by their legal agent, on behalf and on account of the Suceava municipality, Suceava county.

The very legal provision underlines the fact this type of contract is part of the administrative documents and complies with the provisions of the Administrative Contentious Law no. 554/2004, with its subsequent alterations and addenda. *De lege ferenda*, paragraph 6 of Article 30, the final thesis, should be altered so as to specifically define the delegated management contract for public utilities as an administrative contract, instead of the current disposition to be included in the category of administrative documents, a definition that should also be included in other regulations that govern this type of contracts. Law no. 241/2006 for the water and sewerage services (published in the Official Gazette of Romania no. 563 of 29.06.2006), is a specific disposition of Law no. 51/2006; Law no. 92/2007 for the public transportation services (published in the Official Gazette of Romania no. 262 of 19.04.2007), concerning the leasing of the local public transportation services, provides that this specific operation is performed by means of a delegated management contract, by observing the management delegation procedures, in compliance with the provisions of Law no. 51/2006.

Delegated management is performed through operators, or private regional operators, that can be:

a) business units with registered capital of the administrative-territorial units, set up by their governing authorities;

b) business units created after the restructuring of the local or county government owned corporations or after the reorganisation of local or county public services, functioning at the time the present law was enforced, and whose registered capital is entirely owned by the administrative-territorial units, as partner or single shareholder;

c) business units with private registered capital;

d) business units with mixed registered capital.

The operators that perform their activities under delegated management terms, supply/provide public utilities services by operating and managing the existing technical-urban infrastructure, based on the delegated management contract, as well as on the license conferred by the governing regulatory authority. Operators as business units, whose registered capital is entirely owned by administrative-territorial units, are organised and perform their activities in compliance with an operating regulations code established by the governing bodies of the administrative-territorial units or, as the case may be, by the general assembly of the inter-community development association that handles the public utility services.

It has been rightfully argued that there are regulations governing special administrative contracts whose general framework or specific common law provisions haven't been established by internal regulations. Moreover, the belated emergence of administrative contract regulations did not allow the beneficiaries of this law to acquire and employ the necessary administrative practice in a democratic society founded on the principles of non-discrimination, transparency, proportionality, efficiency in the use of public funds and professional responsibility.

3. Current orientations in litigations

On the other hand, patrimonial disputes involving claims concerning the deferred payment of the services supplied or performed by operators, are settled based on common law practices.

The initial drafting of Article 51 provided that the settling of patrimonial and non-patrimonial disputes related to the formation and execution of legal contracts, as well as the disputes generated by the deferred payment for the services supplied/provided, fell under the jurisdiction of administrative contentious law courts and were mostly handled in emergency procedures. In one particular test case, the court stated that the relationship between operators and users is commercial in nature and argued that, according to art.1 paragraph 3 with reference to art.2 paragraph 1, letter *a*, of the Civil Proceedings Code, the court of justice has the authority of settling the claims. Furthermore, in light of Art. 51, paragraph 2 of the Law no. 51/2006, providing that the claim is registered at the trial court whose authority governs the residence of the user, the court established that the Braila Court of Justice was the governing authority where the claim was to be filed (Order no. 92/06.03.2008, passed in the File Case no. 317/113/2008, of the Braila Trial Court, at www.legenet.indaco.ro).

The enforcement of the Government Emergency Ordinance no. 13/2008, has been followed by the amendment of the material and territorial authority in settling contract related disputes between operators and users, the claim being registered at the trial courts governing the territorial units where the user resides (Order nr. 123/17.04.2008, passed in the File Case no. 708/113/2008 of the Braila Trial Court, at www.legenet.indaco.ro). Published in the Official Gazette of Romania, no. 145/26.02.2008, the head note of the Ordinance mentions the timeliness of the alterations performed on Law no. 51/2006, determined by the need to eliminate the inconsistencies of the main legislative acts that govern the organisation and functioning of the public utility community services – the local public administration Law nr. 215/2001, republished, Law no. 51/2006 and the Government Emergency Ordinance nr. 34/2006 regulating the assignment of the public purchase contracts – as well as by the need for accuracy, compatibility and harmonization with the provisions of the Sector Operational Programme – Environment, authorized by the European Commission, towards accelerating the application procedures for European funding

assigned for the modernisation and/or development of the technical-urban structure of the local public utilities services.

The latest draft of the Law no. 51/2006 also mentions the procedure for settling the disputes between the administrative-territorial units or, as the case may be, the inter-community development associations dealing with the public utilities services, and operators, concerning the assignment, formation, execution, alteration and ceasing of the delegated management contracts, as well as the procedures that govern compensatory damages, performed in compliance with Law no. 554/2004. The claim is registered at the administrative contentious section of the trial court whose jurisdiction covers the premises of the operator.

Article 51 has also been subject to certain unconstitutionality pleas mainly arguing that the purport of the law assigning the authority of administrative contentious courts in settling patrimonial and non-patrimonial disputes related to the formation and execution of the contracts governed by Law 51/2006, as well as the disputes related to the deferred payment for the supplied/provided services, contravene the provisions of art. 52, art. 73 paragraph (3) lett. k) and art. 126 paragraph (6) of the Constitution, since the juridical agreements between the operators and the users of public utilities services are contractual in nature and must comply with the private law procedures. Bearing in mind the date when the Constitutional Court has been notified on the unconstitutionality claim, the claim has been repealed as incongruous, given the fact that the notification preceded the amendment of Art. 51, paragraph (3) of the Law no. 51/2006, by art. I point. 51 of the Government Emergency Ordinance no. 13/2008 (Order no. 648 of 10.06.2008 of the Constitutional Court). Similarly, Order no. 1077 of 14.10.2008 of the Constitutional Court.

But, since the effect of the provisions of art. 51 paragraph (3) of the same Law assigned these disputes to the administrative contentious courts, there was a clear breach of the constitutional provisions according to which the specialized law courts in administrative contentious matters have the authority to censor the disputes concerning the administrative documents drafted by the

public authorities and regarded as harmful for the rights or interests of a person.

4. Conclusions

The matters related to the other types of patrimonial and non-patrimonial disputes over the formation and execution of the contracts governed by Law no. 51/2006, fall under the jurisdiction of the administrative contentious law courts. The specific characteristics that define the above mentioned contracts as administrative in nature are: one of the parties is always an administrative unit or an association of this unit, thus establishing the juridical disparity between the parties; the contract includes derogatory clauses from common law and is formed based on a special statutory procedure; the purpose of the contract is serving the public interest; the disputes related to the formation and execution of the contracts, according to the aforementioned characteristics, fall under the authority of administrative contentious law courts.

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The Implications of Corporate Governance in the Quality Financial Reporting

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Abstract

Quality financial reporting is a measure imposed by the century we live in. The concept of financial reporting receives increasing attention in public policy debates in terms of quality on auditing and corporate governance. Nowadays, the accounting information continues to occupy a privileged position within the multitude of information changing on various markets and, for that, we have to be attentive with the attitude regarding the audit activity which is considered to be based on verification and validation. In this purpose, it is necessary to analyze how the quality financial reporting can be influenced by the corporate governance and its participants.

The purpose of this study is to present the state of knowledge reported in terms of quality of financial reporting and the factors that determine and influence the quality of financial statements.

Key words: Internal audit, audit committee, corporate governance, external audit, financial reporting.

J.E.L. clasification: M14, M41, M42, O16.

1. Introduction

For capital markets to function efficiently and effectively, participants must have confidence in the financial reporting process which is very important for the state of company. Quality financial reports, including reliable financial statements free of material misstatements due to errors and fraud, can be achieved when there is a well-balanced, functioning system of corporate governance. As referred by **Cohen, Krishnamoorthy** and **Wright** one of the most important functions of corporate governance is to ensure the

quality of the financial reporting process [1]. Corporate governance is a mechanism of managing, directing, and monitoring a corporation with the goal of creating shareholder value, while protecting the interests of other stakeholders (such as creditors, employees, communities, suppliers, regulators and customers). The concept of corporate governance hinges on total transparency, integrity and accountability of the management. A constant of history, accounting has a great influence within organizations, helping managers and providing useful information that will allow them to be better equipped in their management and control functions. In this purpose, accountants and auditors are playing an important role in helping corporate governance participants to fulfill their responsibilities.

2. Literature review

In a larger sense, corporate governance is defined as a system for directing and controlling the activities of companies. Corporate governance defines the relationship between the shareholders, the Board of Directors, management and other stakeholders. Good corporate governance ensures investors that their investment is being used prudently by management to grow the company's financial and business activity. It involves the protection and the cooperation with stakeholders who have a legitimate interest in the company's performance, such as employees, consumers, creditors, the government, the public, and so forth [2]. Management should produce high-quality, transparent financial reports and present objective, consistent, transparent, and comparable financial results. In these conditions, auditing activity is responsible for the system of internal control while being

one of the triggers of quality financial reporting. The internal audit function focuses on a broad range of activities and is becoming integral to corporate governance. Internal auditors should continuously look for red flags. Indicators such as excessive related-parties transactions must be reviewed to detect opportunistic behavior.

With an increasing role in corporate governance, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It brings a systematic and disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes. In this purpose, the scope of internal auditing within the organization is the efficacy of operations, the reliability of financial reporting, detecting and investigating fraud, safeguarding assets, and compliance with laws and regulations. At the same time, there is an important connection between management and internal auditing, referring to the fact that internal auditors perform audits to evaluate whether the policies and processes established by managers for helping the organization to achieve specific objectives, were made. That is why managers and directors had to adapt and to cope with situations of unknown complexity and with difficulties created by a world in constant motion. For that, the development requires a new perspective from the companies and a new approach of their management, in terms of ethics, responsibility and practice, all known as corporate governance.

Referring to the importance of internal auditing it is known that it can be analyzed from a double perspective, once through the corporate governance and later through the action of internal audit over financial reporting. We can not forget the importance of the internal audit function which plays a unique role in corporate governance by monitoring organizational risks and ensuring that organizational processes are efficient and effectively controlled [3]. The vital role that the internal audit function played in the implementation of the reporting requirements of the Sarbanes-Oxley Act of 2002 (SOX) highlights the importance of the function to maintaining strong corporate governance [4]. The former Chief Accountant of the

Securities and Exchange Commission stated that effective internal auditing is "crucial to the success of a company in stemming fraud and abuse, and in the preparation of accurate financial statements" [5].

Now, more emphasis is being placed on the entire corporate governance responsibility, not just the connection between the above mentioned elements.

The accounting profession focused primarily on *the board of directors and the audit committee*. For instance, the Public Oversight Board (POB 1993) defined corporate governance as "*those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process.*"

In time, it was concluded that there are many elements involved in the process of implementation of quality financial reporting, and a part of them are related to *corporate governance*.

3. Connection between audit committee, internal auditor, external auditor, the board of directors and their relation with the quality financial reporting

The interactions among the audit committee, external auditor, internal auditor, the board, and the management are crucial to effective governance and to achieving high quality financial reporting (Sarbanes-Oxley Act 2002). An interview study with experienced auditors (Cohen et al. 2002) revealed that management has a significant influence over these parties. Some of the auditors in that study argue that if management does not want to be "governed", they can't be [6]. The audit committee (composed of non-executive and independent board members) oversees corporate governance, financial reporting, internal control, and audit functions. *The more vigilant the audit committee, the lower the probability of financial statement fraud.* The success of audit committees depends on their working relationships with other corporate participants. When audit committees receives information about possible fraud, they should investigate and report to the board. This is one essential element that can influence the success in fulfilling the mission of audit committee and, why not, the possibility of

diminishing fraud. The Enron's audit committee was criticized for its lack of vigilant oversight. Its infrequent meetings were brief and limited in scope, and the committee failed to question management decisions about the special-purpose entities. There is a strong, proactive and obvious connection and participation between the board of directors, the audit committee, top management, internal auditors and external auditors which reveals continuous improvements in the quality of financial reporting. The increasing interest in, and the demand for, vigilant corporate governance and high-quality financial information have created a unique and timely opportunity for management accountants to align their strategic vision with the emerging demands for more effective systems of corporate governance [7].

The relationship between audit committees and external audit is a complex one, stemming from both the demand for audit services by the client and the supply of audit services by the external auditor [8]. A higher quality audit should improve the quality of financial reporting and reduce the risk of the auditor providing an incorrect audit opinion. In these conditions, the connection between internal auditing, the audit committees, Boards of Directors, managers represent the executive part which is essential for good corporate governance. All these elements are in a positive relation with the external auditing, forming the non-executive part, which leads to the quality of financial reporting.

4. Relation between accounting scandals and corporate governance. Present and perspectives

In recent years, the importance of good corporate governance has received significant public and regulatory attention. A crucial part of an entity's corporate governance is its internal audit function. At the same time, there has been significant public concern about the level of fraud within organizations. The results of **Paul Coram, Colin Ferguson, Robyn Morone** research shows a significant positive relation between an organization, having an internal audit function and the number and value of self-reported frauds [9]. Accounting scandals at Enron, WorldCom,

and other companies, have led to an intense focus on corporate governance, effective oversight, and good internal controls. The financial collapse of Enron Corporation during the last quarter of 2001 drew extensive attention to its auditor, Arthur Andersen, from the media, regulators, and the accounting profession. Disclosures about Andersen's audit of Enron caused a decline in its reputation and as a result, Andersen clients suffered significant loss of market value [10]. Recent corporate scandals and earnings restatements have resulted in an increased emphasis on the need for strong corporate governance to ensure financial reporting quality [1], [11], [12].

The American Institute of Certified Public Accountants (AICPA's) issued Statement on Auditing Standards (SAS) No. 99, "*Consideration of Fraud in a Financial Statement Audit*," which requires auditors to approach every audit with skepticism and not presume management is honest. Auditors should brainstorm about how fraud could occur and identify the risk as well as management's incentives, opportunities, and ability to rationalize it. They should design tests responsive to the risks of fraud, conduct procedures that would be unpredictable and unexpected, and test for management override of audit controls.

The results of **Paul Coram, Colin Ferguson, Robyn Morone** (2008) research shows a significant positive relation between an organization having an internal audit function and the number and value of self-reported frauds [13]. For those organizations with internal audit, reliance on a partial or full in-house function increases the likelihood of detecting and self-reporting of fraud when compared with organizations that outsource the entire function. This finding is particularly interesting because it puts outsourcing in a different perspective from prior studies, which found that financial statement users do not perceive a difference between in-house internal audit and outsourcing ([14], [15]) and companies which believe that an external provider is technically more competent [16].

Overall, we noticed that internal audit has changed in several ways during the time of the US accounting scandals and these changes varied somewhat with company characteristics. We expect internal auditing to

continue to change because all accounting practices are in a continuous process of changing, harmonizing and normalizing. We encourage additional research on changes in the mix of internal audit's activities, internal audit quality measures, and the structure of the internal audit function. Meanwhile, is important to realize the relationship existing between the internal control, internal audit, corporate governance and external audit, all these elements making a ritual of verification and validation.

5. Conclusions

As the activity of organizations has increased immeasurably, the governance of these entities has assumed considerable importance while internal audit process has taken different connotations. In these conditions is important to realize the relationship existing between the internal audit, corporate governance and external audit. A professional internal audit activity will supplement senior management's actions, by providing independent and objective assurance on the effectiveness of the organization's governance processes, how well it use to manage all kinds of risks, and whether internal control processes are operating, as required, to manage risks to an acceptable level.

In the same time, but in other conditions, we have to recognize the relationship existing between the audit committee, external auditor, internal auditor, the Board of Directors and the management, given that they are crucial to effective corporate governance and to achieving high quality financial reporting.

Nowadays, verification and certification activities are essential to support the investment decision of investors as well as efficient and effective quality reporting of accounting information presented in annual financial statements. Thus, the higher the accounting manipulation the lower the quality of the financial information presented by the company.

6. Acknowledgements

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Customer Oriented Organisations

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Abstract

Customer orientation is a complex, multidimensional concept, that includes dimensions like: motivation of an employee for meeting the customers' requirements, abilities necessary for an employee to satisfy the customer's needs, freedom of the employee to make decisions aimed at meeting the customer's needs and desires. Customer oriented organisations offer services with a high level of quality that ensures the customer's satisfaction.

Key words: customer orientation, organization, training, employees, performances.

J.E.L. classification: M31

1. Introduction

The concept of *customer orientation of service employees* represents an important research topic at present. Customer orientation is a salesperson's of assisting a customer in his or her decision making that determines the customer to buy whatever satisfy his or her needs [1].

2. Customer orientation

2.1. The Impact of Customer Orientation

Customer orientation leads to a feeling of pride for belonging to an organisation in which all the departments and all the individuals work for the common aim of serving customers. Customer oriented organisations have employees who strongly believe in organizational objectives and values, who are willing to make considerable effort to satisfy these objectives.

The results of empirical studies have brought to light the fact that *customer oriented organisations offer services with a high level of quality that ensure the customer's satisfaction.*

Customer orientation has a direct impact on several results of the employees (job effort, job satisfaction, team spirit and commitment) and on organisational performance [2]. There are also indirect effects of customer orientation on performance in the reactions of the employee to his work and his job. These direct and indirect connections of customer orientation highlight relevance for obtaining the desired results or organisational performance.

2.2. Training the Employees

Training the employees has become a key component of the effort of changing organisational paradigms or ways of doing business. The ideal of this model supposes identifying all the factors that facilitate or limit transfer in time, as well as identifying the extent to which each of these factors influence the transfer. Contextual factors regard wider situations that shape a specific climate of transfer. They include structural factors (job technology) , enabling factors (leadership, team work), continuous monitoring and broad climate factors (resistance to change, stress, and ambiguity). The climates of change and of training transfer have a significant impact on the customer orientation of the employees. Thus, the research performed has demonstrated that the employees who attended trainings have higher customer orientation as compared to those who did not participate in such activities. The employees' reactions to change and role change may go beyond, but they do not necessarily eradicate the positive influence of the transfer climate. The employees are more easily convinced to

accept change when the connection between the existent organisational identity and new initiatives is made clear.

2.3. Attitudes and Behaviours of Customer Orientation

The distinction between attitudes and behaviours of customer orientation is essential for managers, as they have to try to understand and influence both. Attitudes are stable, as behaviours are, if the managers can establish a high level of customer orientation in the attitude of their employees, and a higher level of stability in behaviour. It is difficult to influence attitudes, but there are managerial approaches that are able to do that. Thus, managers can select employees according their customer orientation or they can try to introduce positive attitudes of customer orientation in the training for recruitment. Customer orientation is regarded as the ability of salespersons of assisting their customers by engaging in behaviours that increase customer satisfaction. The consequences of customer oriented behaviour with positive effects on sales performances and on the quality of services have also been studied. Customer oriented employees deliver services of exceptional quality, creating customer satisfaction. Different types of customer orientation based on "internalising customer services" and "customer oriented behaviours" were identified. Customer oriented attitude includes affective, cognitive and co-native elements, being complex and multidimensional. In the opinion of some authors, customer oriented attitude is something simple, one-dimensional, referring to the quantity of affect for or against an object [3]. Customer oriented behaviour is the ability of the sales person to assist his or her customers engaging in activities that increase customer satisfaction. Behaviours are less stable than attitudes, and they can be influenced relatively easily by activities of the organisation. Customer oriented attitudes, as lasting characteristics, are more stable than behaviours. If organisations desire to implement a long-term customer oriented strategy, it is important for them to focus both on attitudes, and on behaviours, seen as two dimensions of customer orientation.

Empathy will strengthen the connection between the customer oriented attitude of the salesperson and his or her customer oriented behaviour. The higher the empathy of the salesperson, the stronger the relationship between the customer oriented attitude of the salesperson and his or her behaviour. The salespersons with a high level of knowledge about the services in the organisation are competent in solving problems and they know more about the offer of the company and the customers' needs. Employees with higher levels of empathy, reliability, and expertise, are able to transfer their customer oriented attitudes to customer oriented behaviours, thus increasing the level of customer satisfaction. Restrictions of job autonomy may inhibit transfers of customer oriented attitudes. Elimination of those restrictions will determine an increase of the probability of people engaging in customer oriented behaviours.

3. Conclusions

A high level of customer orientation leads to an increase in the degree of development of relationships. The organisations that concentrate on customer orientation and identify the desires and the needs of their customers will have high performances. Customer oriented individuals act more efficiently and contribute to the efforts of the organisation of developing excellent relationships between sellers and customers.

Customer orientation tends to facilitate market differentiation and leads to higher satisfaction of customers regarding the services they are offered.

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Measures to Stimulate the Activity of Research&Development in Romanian Enterprises

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Abstract

An important objective for the national authorities of States Member of the European Union is to stimulate the activities of research and implementation of research results to increase economic competitiveness. Since joining the European Union, Romania started the National Plan for research-development and innovation NP II for 2007-2013 period. The purpose of the programs developed in this general plan was to stimulate public and private investments in research-development. Regarding the enterprises, these programs provide support in form of State aid. In addition, Romanian tax legislation, in line with the European legislation, provides fiscal incentives for companies engaged in research and development. To qualify for the State aid, enterprises must meet several conditions. Both State aid and fiscal cuts are calculated on the amount of eligible expenses. In this paper we present the conditions for granting and method of calculation for these two forms of supporting enterprises in our country.

Key words: research activity, state aid, fiscal incentives.

J.E.L. classification: O38, H32

1. Introduction

The activity of research-development includes scientific research, experimental development and innovation based on scientific research and experimental development. These activities are supported by State being considered generators of economic and social progress. Applying the

research results and the latest technologies can lead to an improvement of the quality of products offered on the market, but it also involves high prices of their sale (that allows recovery of investments made in research). In order to avoid this increase in prices and to allow buyers access to the new and quality products, the amounts invested in research are partially compensated by State aid and fiscal incentives. We present in the following the way in which Romanian companies can benefit from state aid and fiscal incentives.

2. State aid

State aid for research, development and innovation (RDI) can contribute to economic growth, competitiveness boost and increase employment of labor. These aids are very important, especially for SMEs, whose facilities for accessing the latest technological developments and highly qualified personnel are reduced.

State aid is granted as financial assistance non-reimbursable. The aid actually consists in settlement of expenses that, according to the contract funding, are eligible. Total eligible expenses reimbursed can not exceed the applicable State aid intensity per project (gross aid intensity is the sum of it, expressed as a percentage of eligible project costs)

State aid is eligible for companies where research-development is part of their object of activity, regardless of their legal status or their way of financing. These companies may be small, medium or large.

- Small enterprises are those that have a number less than 49 employees and annual net turnover or total assets of up to 10 million euros. In this category micro-enterprises are also included;

- Medium enterprises have a number of employees between 50 and 249, net annual turnover less than 50 million euros and total assets of up to 43 million euros.
- Large enterprises are those that have over 250 employees and total assets of over 43 million euros.

Young innovative enterprises can also benefit from State aid. These are small companies have been of existence for less than 6 years at the time when the aid is granted and, which shows that the expenditure for RDI was at least 15% of total operating costs in at least one of the last three years preceding the grant funding (if the enterprise is newly established and there are no financial statements to prove this, an external financial audit for the current fiscal period is necessary, audit that verifies the compliance with these conditions).

In order to benefit from funding as State aid, the beneficiary must also fulfill a number of conditions, such as:

- have no outstanding obligations to the general consolidated budget (fees, taxes, contributions);
- his legal representative has not been convicted in the last three years by a final decision of a court;
- other additional conditions specific to the call of projects for financing.

Companies in difficulty can not be supported by State aid scheme. According to the Community Guidelines on State aid for rescuing and restructuring firms in difficulty (2004/C244/02), an enterprise is in difficulty if it is unable, through its own resources or funds that can be obtained from its shareholders or creditors, to stem losses and which, without government intervention will almost certainly leave the business in the short or medium term.

The National Plan II for RDI, for the 2007-2013 period (NP II, approved by Government Decision nr.475/2007), provides for involvement of the private sector in RDI activity. The plan aims, inter alia, stimulating the interest in the economic sector for the activities of RDI, its participation in partnerships with public entities, with consequences on the growth of private investments in RDI.

NP II supports the infrastructure development and technology transfer services for a better use of RDI results in the

economic environment, with the protection of intellectual property. Also, through NP II it shall be ensured wide access for innovative firms to financing for RDI projects, especially those in collaboration with research universities and institutes. Financing the firms in these projects made in partnership takes the form of State aid.

State aid is granted only for industrial research and experimental development, for technical feasibility studies and for obtaining and validating industrial property rights for SMEs.

For example, through PN II, in the Partnership Program - Collaborative Applied Research Projects, the funding that can be given from the State budget to an enterprise is calculated by applying the following maximum rates to eligible costs:

Table no.1. Maximum rates for financing from State budget

Activity	Type of enterprises		
	Large	Medium-sized	Small
FR	100%	100%	100%
IR	65%	75%	80%
ED	40%	50%	60%
TFS(IR)	65%	75%	75%
TFS(ED)	40%	50%	50%
PIPR(FR)	-	100%	100%
PIPR(IR)	-	60%	70%
PIPR(ED)	-	35%	45%

Source: http://uefiscdi.gov.ro/articole/2626/Program-PARTENERIATE_Proiecte-colaborative-de-cercetare-aplicativa_Competitia-2011.html

where: FR-Fundamental research; IR-Industrial research; ED-Experimental development; TFS (IR)-Technical feasibility studies (for industrial research); TFS (ED)-Technical feasibility studies (for experimental development); PIPR (FR)-Protection of the industrial property rights (for fundamental research); PIPR (IR)-Protection of the industrial property rights (for industrial research); PIPR (ED)-Protection of the industrial property rights (for experimental development).

Expenses for research-development and innovation considered eligible, which according to current regulations (Government Decision nr.134/2011) can be financed from the State budget are:

- personnel expenditure (salaries and other incomes assimilated to salaries as well as their related contributions);
- expenditure on logistics;
- capital expenditure: expenditure for acquisition of tangible assets (facilities, equipment, furniture, computers and accessories and suchlike), expenses for purchase of intangible assets (computer software, licenses, patents and suchlike);
- expenditure on stocks (raw materials, supplies, inventory objects, materials not stored, the energy and water used directly in the program, living organisms, plants, animals);
- expenditure on services performed by third parties (maintenance and repairs, obligations, management sites or rentals for assets used directly in the project, transport of goods, postage and telecommunications expenses, expenses for accessing databases, libraries, archives, publications and other sources of information, publication expenses, the value of IT services, financial auditing, expertise, evaluation or technical assistance services, maintenance of equipment used in the project, translation and interpretation services, copying services, etc.);
- traveling expenses: travel, accommodation, per diem (the limitations imposed by the Tax Code regarding deductibility of delegation and deployment allowances will be respected), fees for participation in scientific meetings, health insurance for traveling abroad, fees visas and suchlike;
- indirect costs (overhead)

The following types of expenses are not eligible and are not funded by the state aid scheme:

- dissemination of research results through communication and publication at national or international level;
- participation in technical-scientific events in specific areas of the project (roundtables, workshops, symposiums, fairs, etc.);
- participation in training and development courses;
- organization of training and development courses;

- connection to national and international research networks;
- work visits/exchanges of good practice.

However, these expenses can be reimbursed from the co-financing budget of the project.

3. Fiscal incentives

Fiscal incentives for the activity of research and development (RD) consist in reducing taxable income and applying the method of accelerated depreciation for devices and equipment used by the contributor for this type of activity.

The activity of RD includes:

- fundamental research - the work carried out primarily to acquire new knowledge of phenomena and processes and for the formulation and verification of assumptions, conceptual models and theories;
- industrial research – the activity aimed mainly to improve or develop new products, technologies and services by using scientific knowledge;
- experimental development - consisting of the activities of systems engineering and technological engineering, through which it is designed the application and transfer of research results to the economic operators, as well as in social area, aimed at introducing and materialization of new technologies, products, systems and services, as well as improving existing ones.

These incentives are granted only if the RD activities leading to obtaining research results, capitalized by the contributor for its own benefit in order to increase revenues.

Reducing taxable income, according to article 191 of the Tax Code, is achieved by additional deduction of 20% of eligible expenditure for RD activities. Additional deduction is calculated once at three months or annually, depending on the contributor's fiscal period. If the tax loss is recorded, it shall be recovered from taxable profits in the coming years, according to tax matters (in the next 5 or 7 years, in accordance with Article 26, Tax Code).

Regarding the eligible expenses taken into account in granting additional deduction, these are:

- depreciation of tangible assets created or acquired by the contributor as new and used for RD activities and costs of work performed by third parties for maintenance and repairs on these tangible assets;
- expenses with salaries of staff directly engaged in RD activities;
- depreciation expenses of intangible assets, acquired by the contributor, used in RD activities;
- operating expenses, including expenses on consumables, inventory, raw materials, experimental animals and similar products used in RD activities;
- overheads that can be allocated directly or proportionally to the research results by using a key of distribution (examples: rent of facilities where activities of RD are developed, corresponding facilities, supplies, office supplies, postal services, administrative and accounting services, etc.).

In order to be eligible when establishing additional deduction granted as fiscal aid, these expenses must be accounted on the basis of documents in proof and be performed for the purpose of achieving revenues.

Eligible costs are added together and entered in the tax register, specifying the amount representing the tax deduction. This deduction shows distinctly in annual income tax declaration (Declaration 101 "Income Tax Declaration" at rank 18 "Other deductible amounts" and at rank 18.1 "Additional deduction for research-development").

In terms of fiscal facility regarding the regime of depreciation for devices and equipment used in RD activity it is allowed to apply the accelerated depreciation method. According to Article 7 of OMPF 2086/2010, the facility can be applied only to devices and equipment provided in subgroup 2.1."Technological equipment" and 2.2."Devices and equipment for measurement, control and regulation" from the Catalogue on the classification and normal operating duration of assets (Catalogue approved by Government Ordinance no. 2139/2004). Normally, accelerated depreciation is acceptable for fiscal purposes only for technological equipment (machines, tools, installations),

and for computers and their peripherals equipment. The method allows the calculation of depreciation of up to 50% of the asset value in the first year of operation.

Example:

The company carries out research-development activity for which it acquires a technological equipment worth 70,000 m.u. and a measurement and control installation in the amount of 30,000 m.u.. Both assets have a duration of 10 years of service.

For the calculation period (year N) there are known:

- salaries of personnel directly engaged in the RD activities - 10,000 m.u.;
- costs of services from third parties - 6,000 m.u.;
- costs of consumables – 5,000 m.u.;
- overheads allocated to RD activities - 8,000 m.u.

We consider the year N as being the first year of operation of both tangible assets purchased for RD activity.

We suppose that taxable profit in the absence of granted fiscal incentives is 40,000 m.u. (taxable profit calculated on the assumption that the company has applied the accelerated depreciation method for the technological equipment and the linear depreciation method for the measurement installation). In these circumstances, the income tax is 6,400 m.u. ($40,000 \times 16\% = 6,400$)

Application of fiscal facilities includes:

a) additional deduction of depreciation expense, as a consequence of applying the accelerated depreciation method for the measurement and control installation: linear depreciation 3,000 m.u. ($30,000 \text{ m.u.} / 10 \text{ years}$), accelerated depreciation 15,000 m.u. ($30,000 \text{ m.u.} \times 50\%$), results in additional deductible expense of 12,000 m.u.;

b) additional deduction of 20% of the eligible expenses for the activity of RD:

o Eligible expenses = expenses with salaries (10,000 m.u.) + expenses of services from third parties (6,000 m.u.) + expenses of consumables (5,000 m.u.) + overheads (8,000 m.u.) + equipment depreciation expenses ($70,000 \text{ m.u.} \times 50\% = 35,000 \text{ m.u.}$) + expenses with depreciation of the measurement installation ($15,000 \text{ m.u.}$) = 79,000 m.u.

- 20% of the eligible expenses: $79,000 \times 20\% = 15,800$ m.u.

Taxable income calculated under the conditions of applying fiscal facilities is:

$$40,000 - 12,000 - 15,800 = 12,200 \text{ m.u.}$$

and the income tax is 1,952 m.u.

The company therefore benefits from a reduction of 4,448 m.u. from the income tax (6,400 m.u. – 1,952 m.u.), with beneficial effects in terms of treasury and faster recovery of the sums invested in research.

4. Conclusions

We believe that the forms of support which the companies in our country can benefit from are really useful, they can financially sustain the enterprises wishing to invest in RDI activities. In particular, their collaboration with research organizations, in partnership funded by the National Plan for research-development NP II, can bring important economic benefits and can lead to the development and promotion of competitive products on national and international market.

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The Role of Migration in Shaping the Future

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Abstract

Migration is often seen as a negative cause in the economy. Stereotypes portraying migrants as 'stealing our jobs' or 'scrounging off the taxpayer' abound in sections of the media and public opinion, especially in times of recession. This paper seeks to broaden and rebalance perceptions of migration to reflect a more complex and highly variable reality. Movement has a huge potential for improving human development. Our vision of development as promoting people's freedom to lead the lives they choose recognizes mobility as an essential component of that freedom. Also, we want to emphasize the role of migration during history and the benefits in shaping the world as it is now, with future perspective.

Key words: migration, culture, future, remittances, globalization.

J.E.L. classification: F22, R23, O15

1. Introduction

The outcomes in all aspects of human development, not only income but also education and health, are for the most part positive. All the fears about migrants taking the jobs or lowering the wages of local people, placing an unwelcome burden on local services, or costing the taxpayer money, are generally exaggerated.

When migrants' skills complement those of local people, both groups benefit. Societies as a whole may also benefit in many ways—ranging from rising levels of technical innovation to increasingly diverse cuisine to which migrants contribute.

When tailored to country-specific contexts, the changes made in the migration policies can amplify human mobility's already substantial contributions to human development.

This paper is analyzing who migrants are, where they come from and why they move. We have analyzed data from Human Development Report 2009, looking at the multiple impacts of migration. Some of the solutions found are: opening up existing entry channels so that more workers can emigrate; ensuring basic rights for migrants; lowering the transaction costs of migration; finding solutions that benefit both destination communities and the migrants they receive; making it easier for people to move within their own countries; and mainstreaming migration into national development strategies.

2. Historic overview of the migration phenomenon

Migration is an effect of demographic growth, development of trade and production, existing ever since the beginning of time in the human history. The events that led to migrations, voluntary or forced were warfare, conquest, formation of nations, states, empires. Also the enslavement and deportation of people was the first form of labour migration. At the same time, in Africa, pastoral farming stood as a foundation for distance trade, cultural exchange and settlement of people [1].

Even if the nature of migration has changed over the past two centuries because of revolutionary technological and economic developments, mobility has always been a part of human history. This process started with European mercantile and colonial expansion, accelerating after the Industrial Revolution.

The development of European states and their colonisation of the rest of the world, gave a new meaning to migration through movements of soldiers, traders, forced slavery in Africa, indentured workers from India and China to East Africa, the Caribbean and elsewhere [2].

Beginning in the seventeenth century, North Sea countries, and further extending throughout Europe in the eighteenth and nineteenth centuries, the spatial diffusion of the processes of capitalist development and the associated demographic transitions resulted in large-scale rural-to-urban migration within Europe and North America [3].

In the first wave of globalisation (1870-1914), in which transatlantic migrants reached over 50 millions, technological progress facilitated longer journeys [4]. The interwar period (1918-1939) was characterised by increasing protectionism and also more restrictions on migration.

After 1929, the Great Depression further restricted population mobility. Refugee movements go far back in history, such as the migration of Muslims and Jews to Morocco and the Ottoman Empire after the completion of conquering of the Iberian Peninsula in the late fifteenth century.

Processes of large-scale rural-to-urban migration within and across borders in the nineteenth and twentieth century were connected with the processes of colonisation, the progressive incorporation of peasant economies into the capitalist economy and globalization.

These processes of colonisation and capitalist development created a new demand for cheap labour, which set in motion rural-rural and, particularly, rural-urban migration patterns which significantly differed from pre-colonial population mobility.

Although colonial administrators generally wished to restrict population mobility, they could not prevent increasing settlement of migrants in mining towns, major cities and other urban centres, according to Bakewell.

After decolonisation, rural-urban migration continued and often even intensified. Although many governments have tried to stop this 'rural exodus' they were not able to prevent this migration, which was driven by processes of economic restructuring, demographic growth and urbanisation.

Decolonisation in the 1950s and 1960s created the conditions for new patterns of movement from former colonies to the mainly European metropolis at an unprecedented scale. This postcolonial

migration was facilitated by common historical and linguistic links.

In some European countries such as the UK and France, part of this labour demand was filled by immigration from former colonies. However, over the 1950s and 1960s an increasing proportion of demand was met by migration from poorer, often neighbouring countries such as Mexico to the US and from southern Europe, the Maghreb and Turkey to northwest Europe [6].

3. Social and economic effects of migration today

If people expand their social, economic and human capital this tends to coincide with increasing potential levels of mobility. Increased income, income differentials and associated relative deprivation as well as improved access to information and education tend to increase people's *capabilities* and *aspirations* to move. It is therefore no coincidence that highly developed societies also tend to be highly mobile.

The share of international migrants in the world's population has remained remarkably stable at around 3% over the past 50 years, despite factors that could have been expected to increase flows.

Demographic trends—an aging population in developed countries and young, still-rising populations in developing countries—and growing employment opportunities, combined with cheaper communications and transport, have increased the 'demand' for migration [7].

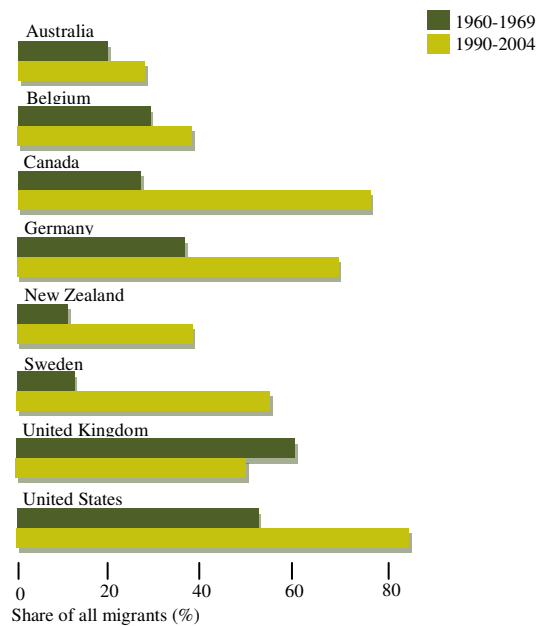
Only 37% of migration in the world is from developing to developed countries. Most migration occurs *within* countries in the same category of development: about 60% of migrants move either between developing or between developed countries (the remaining 3% move from developed to developing countries).

One obvious reason why there is not more movement from developing to developed countries is that moving is costly, and moving long distances is costlier than undertaking short journeys.

Figure 1 displays the evolution of the share of people from developing countries in eight developed economies that have

comparable information. In all but one case (the United Kingdom), there were double-digit increases in the share of migrants from developing countries. In many European countries, this shift is driven by the increase in migrants from Eastern European countries classed as developing according to their Human Development Index. For example, during the 1960s only 18% of developing country immigrants into Germany came from Eastern Europe; 40 years later that ratio was 53%.

Fig. 1. Share of migrants from developing countries in selected developed countries



Source: HDR 2009

Mobility can have profound consequences for social, class and ethnic hierarchies in origin communities if lower status groups gain access to substantially higher income streams. These are welcome changes, which can disrupt traditional, caste-like forms of hereditary inequality based on such things as kinship, skin colour, ethnic group or religion, which are associated with unequal access to land and other resources. According to Newland and Patrick, the ideas, practices, identities and social capital that flow back to families and communities at origin are known as *social remittances* [8].

Table 1. Policy measures aimed at international migration in poverty reduction strategies 2000-2008

Proactive/facilitative	No. of countries
Export labor	10
Encourage female migration	1
Promote student mobility	3
Sign bilateral agreements	9
Improve labour conditions abroad	6
Pre-departure training	6
Develop consular services	3
Regulate recruitment industry	2
Facilitate portability of pensions	2
Promote refugee integration	7
Facilitate remittances	9
Encourage legal remittance channels	13
Engage diasporas	17
Promote investment by diasporas	8
Import skills	4
Participate in regional cooperation programmes	8
Promote more research/monitoring	8
Build institutional capacity	5
Combat HIV/AIDS amongst migrants	7
Re-integrate trafficking victims	5
Regulation/control	No. of countries
Combat trafficking	19
Modernise customs	18
Strengthen border control	17
Combat illegal migration	12
Promote refugee return	10
Tackle the brain drain	9
Support return	7
Sign readmission agreements	2

Source: Black, R. and J. Sward. 2009

Several strategies articulate policies towards migration. There can be distinguished between policies that are broadly 'proactive/facilitative' and those focused on 'regulation/control' (table 1). Combating trafficking, preventing irregular migration and modernizing and strengthening immigration and customs service feature frequently. It is striking how some of these policies echo those promoted by rich country governments.

Hanson thinks that a popular measure of the impact of migration, though not one that necessarily reflects its true economic and social effects, is the perception of the changes it brings to the government's fiscal position [10].

People across the political spectrum often share concerns about the implications of migration for the welfare state. European Social Survey of 2002 suggested that up to 50% of the region's population worry about migrants being a net fiscal burden, with those most concerned tending to be less well educated, older and/or unemployed. The concerns are most acute in the Czech Republic, Greece, Hungary and Ireland, much less so in Italy, Luxembourg, Portugal and Sweden. Some people are worried about increased costs, others about sustainability in the face of reduced social cohesion.

A recent study predicted that, among European countries, Estonia, France and Latvia were likely to face a higher public finance burden due to the costs of migrants' welfare benefits during the 2009 downturn, whereas Austria, Finland, Germany, Ireland and Spain would register less-marked increases [11]. In many developing countries, the issue of rising fiscal costs during a time of recession typically does not arise, because welfare benefits are simply unavailable to anyone.

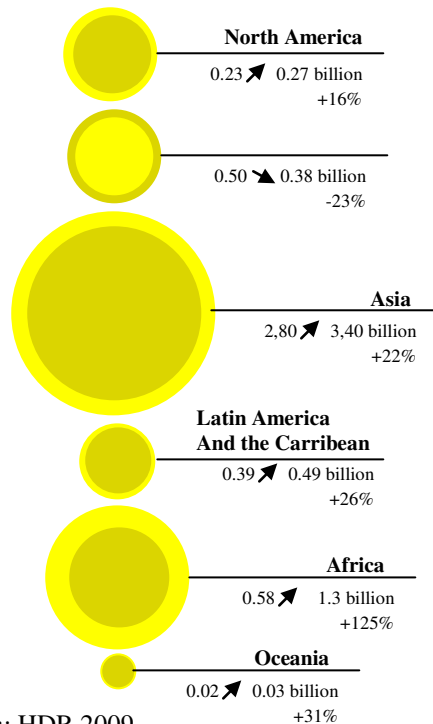
4. The future of migration

Many people are now suffering the consequences of the worst economic recession in post-war history. Asian countries have suffered from collapsing export demand, while increases in the cost of external credit have adversely affected Central and Eastern Europe. African countries are battling with collapsing commodity prices, the drying up of capital liquidity, a sharp decline in remittances and uncertainty concerning future flows of development aid. UNRWA analyzed some of the largest emerging economies, such as Brazil and the Russian Federation, will dip into negative growth, while others, notably China and India, will see severe slowdowns [12].

The negative correlation between numbers of immigrants and economic growth suggests that migrants are likely to be badly affected not only in OECD countries but also in the Gulf, East Asia and South Africa. A jobs crisis is generally bad news for migrants [13]. Economies tend to call on people from abroad when they face labour shortages, so they tend to lay off migrants first during times of recession. This is partly because, on average, migrants have a profile typical of workers who are most vulnerable to recessions—that is, they are younger, have less formal education and less work experience, tend to work as temporary labourers and are concentrated in cyclical sectors.

Aging of populations is a widespread phenomenon. By 2050, the world as a whole and every continent except Africa are projected to have more elderly people (at least 60 years of age) than children (below 15). This is a natural consequence of the decline in death rates and the somewhat slower decline in birth rates that has occurred in most developing countries, a well-known phenomenon known as the 'demographic transition'. By 2050, the average age in developing countries will be 38 years, compared to 45 years in developed countries.

Fig.2. Projections of working-age population by region, 2010-2050



Source: HDR 2009

For every 100 working-age people in developed countries, there are currently 49 who are not of working age, roughly half of whom are children or elderly. In contrast, in developing countries, the ratio is higher, at 53, but three quarters of the dependents are children. Over the next 40 years, as the effect of lower birth rates is felt and the proportion of children falls as they reach working age, the dependency ratio will remain roughly stable in developing countries, reaching just 55 by 2050.

However, the proportion of elderly will rise in developed countries, so that there will then be 71 non-working-age people for every 100 of working age, a significantly higher fraction than today. These dependency ratios would increase even more rapidly without the moderate levels of immigration included in these scenarios: if developed countries were to become completely closed to new immigration, the ratio would rise to 78 by 2050, according to HDR 2009.

5. Conclusions

We have come to the conclusion that movement reflects people's need to improve their livelihoods. This movement is constrained by policy and economic barriers and the pressure for increased flows will grow in the coming years. Migration is shaping the world ever since the beginning of it, ultimately, the structural factors will affect the flow of people in the future depending on the policies taken by the decision factors, mostly in host countries.

At present, policy makers in countries with large migrant populations face conflicting pressures: significant levels of resistance to increased immigration in public opinion on the one hand, and sound economic and social rationales for the relaxation of entry barriers on the other.

The twenty-first century will bring major new challenges to migration policy with demographic, economic and environmental changes leading to fundamental shifts in the flows of migrants. The global community is becoming connected in a manner not experienced since our small-world evolutionary origins in Africa. Our ability to meet the challenges of the twenty-first century requires a better understanding of our deep migration impulse and its impact on our future.

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Negative Immigration from a Cultural Perspective

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Abstract

From a cost-benefit perspective, things don't look good for migrants all over the world, especially in Europe. EU nations are tightening border controls, raising red-tape barriers to legal migration, reducing the length of work permits, and shutting off access to the social welfare system. Some countries have closed the door to both work and social assistance. Other nations think that the "boat is full", that there are too many migrants increasing unemployment, abuse the welfare system and take jobs from natives.

With all these, Europe is a place where migration is especially useful from an economic perspective. European citizens are not mobile and there are large productivity differences across and within countries. Spatial arbitrage by mobile workers – migrants – reduces the economic burden of these rigidities. This article comes in shedding a light unto this subject.

Key words: migration, cross-culture, welfare, remittances, globalization.

J.E.L. classification: F22, R23, O15

1. Introduction

Migration has an important role in global and local processes of economic, social and political change. It should be analyzed as a part of development and global transformation processes and not like an effect of some sort of social and economic causes.

International migration is characterized by cluster of immigrants in ethnic communities. Examples are widely known as Turks in Germany, Tamils in Switzerland, Moroccans in the Netherlands and Belgium, Italians in Argentina, Greeks in Australia and Ukrainians in Canada.

For example, Macedonians from Skopje have come to make up a notable part of the population of Gothenburg, Sweden. In the United States, noticeable clusters of Mexican immigrants exist in California, Texas, Florida and Chicago. Three-fourths of migrants from Guanajuato, the Mexican state with the highest emigration rate to the U.S., go to California or Texas.

When immigration is subject to adverse selection, it increases competition for jobs and lowers immigrants' salaries. Clustering may also minimize the desire to learn the language of the host country, trapping migrants in poverty [1]. These negative network externalities limit the benefits immigrants can obtain from clustering.

In this paper I would evaluate the culture manifesting in the process of migration for the migrants, those remaining in the sending areas, and people already living in the recipient locations. Though actors behave differently, within a group there are economically important shared beliefs (customs, values, attitudes, etc.), which we commonly refer to as culture.

The connection between ethnic conflicts and international trafficking is also an issue discussed in this paper. The main argument is that internal conflicts encourage the internal displacement of individuals from networks of family and community, and their access to economic and social safety nets. These same individuals are particularly vulnerable to being trafficked, by the hopes of better economic prospects elsewhere [2].

People's motivations to be mobile depend on human development and political, economic and social constraints in the places where they live. Development constraints are likely to motivate people to move to another country or place [3].

If people migrate because of extreme constrained conditions such as refugee migration, it will involve a decrease in wellbeing. In other cases, migrants may have

benefits from their mobility but not necessary in macro-structural change and national development. This is because their decision of moving depends on how they perceive the opportunities in the destination societies. Depending on the circumstances, mobility can have positive and negative implications. In this paper I am analyzing the negative ones.

2. Migration through the changes of time

International migration is the 'great absentee' in the era of globalization. While the barriers to international trade and capital mobility have been largely removed, labour markets are the most tightly regulated area of economic activity [4].

Population movements have always been part of human history. Warfare, conquest, formation of nations and the emergence of states and empires have all led to migrations voluntary or forced. In many parts of Africa, pastoralist was often associated with long distance trade, cultural exchange and settlement of people [5].

Today the patterns of migration have changed over the past two centuries because of revolutionary technological and economic developments and the incorporation of an increasing number of regions and countries across the world within international capitalism [6] starting with European mercantile and colonial expansion and accelerated after the Industrial Revolution.

The 1973 "oil crisis" was a turning point in global migration patterns. It accelerated the decline of labour industries in Europe and North America. In Europe began a period of economic stagnation and restructuring, rising unemployment and a lower demand for unskilled workers. European countries tried to encourage migrants to return. But they failed because they didn't offered opportunities for economic reintegration. Paradoxically, the restrictive immigration policies and the introduction of visa restrictions had the effect of pushing migrants into permanent settlement rather than the reverse [7].

Since 1970s, advances in road, air transport and a breakdown of trade barriers have increased a second wave of

globalization [8]. Wealthy countries have increased legal restrictions and intensified border controls on migration from poorer countries. But the lower costs of transportation makes outsourcing more feasible and minimises the demand of more developed countries for immigrants.

Due to social, economical and political circumstances of globalization in the 21st century along with changes in education and business environment, many countries have developed intercultural relations, mainly because of the foreign immigrants [10].

Although the relative number of migrants has remained stable over the last century, the overall mobility of people has increased, facilitating the massive growth in tourism and business travel and commuter mobility, but has also vastly increased the scope for migrants to travel back and forth and maintain transnational social, economic and political ties with origin countries [11].

Moreover, non-migration mobility can give rise to migration, for instance to service tourist needs, and tourism and student migration can metamorphose into de facto labour migration [12].

3. Negative effects of migration

The contemporary migration patterns are linked to capitalist development, globalisation and the social, economic and demographic transformation of origin and destination places. When people increase their social, economic and human capital, they tend to increase also potential levels of mobility. A high income and improved access to information and education increase people's aspirations to move. Highly developed societies tend to be highly mobile [13].

Standard theory assumes migration takes place in the context of efficient labour markets. In reality, wage setting institutions, minimum wages and unemployment benefits drive a wedge between labour supply and demand. This wedge can create a link between immigration and unemployment, both among natives and immigrants [14].

When a country closes its borders to migrants, migration flows are diverted disproportionately to other nations, so the other nations react by closing their borders.

Thus, migration may entail significant direct and indirect costs. The direct costs include unemployment among natives. The indirect costs include higher taxes or social security contribution related to the payment of unemployment benefits and/ or social transfers. A large pool of unemployed immigrants may also be associated with other indirect negative effects (externalities). Unemployed immigrants may become involved in survival-oriented illegal activities and become an easy target for organized crime. Potential negative externalities from immigration into unemployment are also generated by the involvement of immigrants and illegal activities.

One of the negative influence of migration is that people need certain freedom and access to resources in order to migrate [15]. But freedom of mobility also pertains to the freedom not to migrate. If people are constrained in moving due to asylum, political conflicts or slave trade, migration can be a lack of freedom. This form of forced migration may have a direct effect on economic interests of other countries but often means a decrease in the well-being of the migrants.

Welfare benefits also affect incomes of natives and migrants indirectly, for example, via changes in the skill content of migration. According to Roy's model, a welfare state compressing the wage distribution by skill level increases the inflow of low-skilled workers [16]. As migrants face a higher risk of becoming unemployed, access to welfare benefits can also increase the size of migration flows. Thus, welfare benefits affect income in the receiving countries directly, by redistributing income from the native to the migrant population, as well as indirectly, by affecting the size and composition of the migrant population.

As part of the labour force remains unemployed, not all migrants are absorbed by the host labour markets. Following the Harris-Todaro tradition, jobs are allotted within the domestic and foreign labour forces randomly. The employment opportunities of migrants are, however, assumed to be lower than those of natives. This implies that the unemployment risk is partially shifted from natives to immigrants. The unemployment risk of foreigners is twice as large as unemployment among natives.

Under labour market clearing, gains from migration are substantial: an immigration of 1% of the population increases GDP of the total region by roughly 0.3%. The gains from migration are not uniform across the board, however. Most of the gain accrues to the migrants, whose incomes increase by between 130 and 150% in the different scenarios. In the receiving countries, the wages of manual or non-manual workers decline from 0.04 to 0.56%, depending on the assumptions as to the skill composition of the migrant population, while labour wins in the source countries.

The native population in the recipient nation may lose out from migration, particularly when there are institutions that prevent wages from adjusting to supply shocks. As minimum wages and wage floors set in the context of collective bargaining are binding mostly for the unskilled workers, immigration with a low-skill content increases the conflict of interest between natives and immigrants.

Migration of low-skilled workers also increases income inequalities in the recipient country as wages of manual workers decline more than wages of white-collar workers and the former have virtually no access to capital markets.

This, together with the fact that migration induces faster income per capita convergence, explains why migration reduces income inequality in the enlarged Europe.

Migration may have positive or negative concrete impacts on the lives of people, depending on the type and causes of migration, the selectivity of migration and the broader developmental context in which migration occurs.

Rather than a response to destitution, migrations tend to be a livelihood strategy pursued by social groups in reaction to relative deprivation [17] to spread income risks and, if possible, improve income levels.

Table 1. Workers' remittances and compensation of employees in EU (mil. euro)

GEO	2006	2007	2008	2009
Belgium		2,0	1,0	2,0
Bulgaria	1,0	2,6	2,0	2,0
Czech Republic	-	-	-	-
Denmark	39,5	33,0	21,2	14,0
Germany	10,0	11,0	9,0	12,0
Estonia	-	0,1	-	0,1
Ireland	-	-	-	-
Greece	-	7,0	7,2	1,7
Spain	-	-	-	-
France	84,0	84,0	95,0	97,0
Italy	43,0	29,0	31,0	23,0
Cyprus	-	0,2	0,3	0,2
Latvia	-	11,4	17,1	14,2
Lithuania	-	-	-	-
Luxemburg	-	-	-	-
Hungary	-	-	-	-
Malta	-	-	-	-
Netherlands	-	1,7	1,6	1,8
Austria	-	5,0	5,0	6,0
Poland	-	-	-	-
Portugal	19,0	19,7	19,5	21,4
Romania	-	4,2	4,9	2,8
Slovenia	-	-	-	-
Slovakia	-	-	-	-
Finland	1,1	1,1	1,1	1,2
Sweden	-	-	-	-
United Kindom	-	-	-	-

Source: Eurostat

Total EU27 outflows amounted to 30.3 billion euro in 2009, compared with 32.6 bn in 2008 (-7%). These figures include both intra-EU27 and extra-EU27 flows. The decrease in workers' remittances in 2009 compared with 2008 was almost the same for extra-EU27 flows (-7%) and for intra-EU27 flows (-6%). The share of extra-EU27 remittances in the total stood at 73% in 2009, the same level as in 2008. The outflow of workers' remittances was highest in 2009 in Spain (7.1 bn euro or 22% of total EU27 remittances), Italy (6.8 bn or 21%), Germany (3.0 bn or 9%), France (2.8 bn or 9%) and the Netherlands (1.5 bn or 5%).

Because many remittances are sent through informal channels, the actual importance of remittances is even higher than

official figures show. Even relatively small amounts of remittances can substantially improve the livelihoods and wellbeing of migrants and their families in sending countries[18]. Poor non-migrants may be affected *indirectly* through the economy-wide effects of remittance expenditure on wages, prices and employment in migrant sending communities and countries [19].

Taylor [20] found evidence that the combination of lost-labour and remittances may affect production in migrant sending regions negatively initially but positively eventually.

While remittances can bring substantial financial gains for individual migrants, their families as well as origin communities, the loss of human capital through the loss of 'brawn' and 'brains' are often seen as undermining the economic development potential of communities and nations of origin.

Some authors now claim that the brain drain may sometimes encourage the economic development of poorer sending countries [21], while others claim that migrant remittances may harm those countries' development prospects [22]. Such claims are based on the supposed effect of the brain drain and of remittances upon the incentives for economic growth within the sending countries.

The massive departure of young, able-bodied men and women from rural areas has been typically blamed for causing a critical shortage of agricultural and other labour, depriving areas of their most valuable, able-bodied working force. The research literature indicates that largescale out-migration from rural regions can disrupt economic production and lead to a decline of productivity in the agricultural and other traditional sectors. However, on the longer term this immediately negative effect can be counterbalanced by remittance-fuelled investments, provided that the regional investment environment is sufficiently attractive. Adams [23] concluded that international migration does not tend to take a very high proportion of the best educated.

On the other hand, there is some evidence that migration may also create *negative* incentives for education. This seems specifically the case in migration systems predominated by low skilled, often

undocumented migration, where few if any positive externalities of education can be expected.

Migration also tends to affect socio-ethnic structures and culture in sending communities and even on the national level. Even more than with economic impacts, it is difficult to oppose negative and positive impacts, because they are often two sides of the same coin, and some members of families and communities may be affected more positively or negatively than others.

For instance, migration, particularly by women, often disrupts traditional care arrangements for children and the elderly [24] and causes longterm separation between spouses and parents and children. On the other hand, migration remittances may enable households to improve their livelihoods, children's education and to substitute family carers for paid carers.

Migration and remittances can have profound consequences for social, class and ethnic hierarchies in sending communities if lower status groups manage to migrate internally or internationally, which may upset traditional social hierarchies. While traditional elite groups might view such migration as a devastating process, lower or middle-class groups may have a more mixed or positive opinion.

The social and cultural changes affected by migration and remittances are themselves likely to affect future propensities to migrate. In this context, the literature refers to a 'culture of migration' in which international migration is associated with personal, social, and material success, where migration has become the norm rather than the exception, and staying home associated with failure [25].

In the case of migration cultures, those with a propensity to migrate will have forgotten, or mythologized, the reasons why earlier generations left. By the same token they may continue to migrate even though a rational choice may suggest that staying at home is more advantageous. The term 'culture of migration' can be misleading in the sense that it might suggest that the rising aspirations and outward-looking mentality is the exclusive consequence of the exposure of non-migrants to migrants' wealth and their relative well-being.

Migration by men and women also tends to affect gender relations in sending communities. Although it has been sometimes assumed that migration of men encourages the emancipation of women who stay behind [26] limited empirical evidence suggests that migration has no or only a limited structural impact on gender roles, and may actually serve to reproduce them. When women migrate themselves, the potential for gender roles to change may be larger, but should also not be overestimated.

It has also been argued that remittances can contribute to undesirable currency appreciation [27] create disincentives for domestic savings and support private consumption of (imported) goods instead of financing investment, which can potentially hamper competitiveness and increase trade deficits.

Conflicting empirical findings on the economic macro-impacts of remittances are not necessarily at odds on a theoretical level: The macro-economic impact of remittances is disparate across countries because it is ultimately contingent on the social relations and structures in which the remitted foreign currency becomes embedded.

4. Conclusions

Migration is a vital part of risk-spreading livelihood strategies pursued by households and families in developing countries. Depending on the specific context in which migration occurs, migration can affect human development both positively and negatively, and such impacts tend to vary across different classes and population groups and are also contingent on spatial and temporal scales of analysis.

Under unfavourable conditions, migration may actually decrease the capabilities of people, and even when its aggregate impacts are judged to be positive, the fruits of migration are not always equally distributed among different members of households and communities [28].

Remittances have the potential to improve well-being, stimulate economic growth and reduce poverty directly and indirectly, while their effects on inequality are much more ambiguous, and primarily depend on the selectivity of migration.

Can migration and remittances *alone* trigger economic growth? Probably not. Although migration and remittances play a vital role in securing and actually improving the livelihoods of millions of people in the developing world, it would be naïve to expect that remittances alone can solve more structural development obstacles, such as an unstable political environment, misguided macro-economic policies, lack of safety, legal insecurity on property, bureaucracy, corruption and deficient infrastructure.

Positive vs negative debates on migration and development can be overcome by integrating agency structure dialectics in the analysis of migration impacts.

For instance, migration occurring under extremely constraining conditions is unlikely to contribute to national development in origin countries, at least in the short term. It is also likely that many 'temporary' migrants will become permanent settlers if economic and political conditions in origin countries remain negative and if immigration policies of destination countries become more restrictive.

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Structural Policies, Monetary and Fiscal Crisis Recovery in Romania

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Abstract

Economists have likened under graphical form, the dynamics of the current crisis in the form of letters. If after recession follows a period of growth, than it has shaped V. If after the rise follows again a new period of recession and then again an increase, then it is shaped W. It may exist and another form, the one of the letter O or, rather, of a circle. Closing the circle would mean the exit out of recession, so a reason for satisfaction and success of government policies. My opinion is that we shouldn't joy, but on the contrary, we should worry about such a success, because the exit out of recession through retouching the entry point in recession represents the missing of the opportunity to solve the structural problems that the Romanian economy has.

Key words: sustainability, recession, inflation, financial, macro stabilization

J.E.L. classification: G01

1. Introduction

It was announced frequently getting out of recession. Is a notice that does not contest because, statistically, it is possible that two successive trimester of this year to record an increase, even if extremely modest. According to a questionable but unanimously accepted definition, an increase in the level of two consecutive quarters of means, statistically, the exit from the recession

I stressed that it was only one exit from the recession of statistically in order to attract attention to the lack of relevance of such output would have it on the current state of the economy and, implicitly, the general public. It is only the expression of a trend of the economy and halt the fall was a trend for relaunching them. Exit from the recession

can be achieved on the basis of structural policies, monetary and fiscal, that we enunciate in below:

2. Ratio of recession and crisis

From ignorance or knowingly, official has spoken numerous times to "exit the Romanian crisis". At the level of image analysts or commentators talk show has been criticized and corrected the formal approach by emplacing the difference between recession and crisis, with particular emphasis on the cyclic nature of the crisis. It was shown that it is possible to exit from the recession but the crisis will last for a period, probably between 3 and 5 years as determined by the duration of the international financial crisis. It is a correct approach. Unquestionably, the recession may not be forced out of the crisis but, in my view, the problem is more complicated than that of the international financial crisis.

This crisis has influenced our economy but not in the financial sector but by type subprime contagion effects taken over Romania by the overwhelming dependence of our external relations of force at the core of the European Union. As long as over 70% of our export and import is straight to this kernel was unavoidable contamination. Inevitability does not explained just by straightway but also the structure of import and export, which in turn is determined by the structure of the Romanian economy.

The international crisis, no matter how tough to be the "merit" and has to reveal the existence of a profound structural crisis that Romania has inherited from the Communist regime and that, unfortunately, in many areas has deepened over the period of transition. This crisis of structure does not refer only to the profound macro economy equilibrium, but also to a structure of sectors and branches of activity unlikely to capitalize with a major

raise added value for competitive advantage domestic factors.

For these reasons I think you need to take into account not only the effects of the current international financial crisis but also the structural crisis which Romania still felt them with acuity for several years. The current structure of the Romanian economy has some features that are in a dangerous position, to the registry of the international crisis on an exceptionally serious structural crisis. Among the most important features, which leads to structural crisis haying, mention the following three:

a) the Romanian economy is essentially the effect of relocation company, a subcontractor specializing in spare parts, sub-assemblies and products of behalf of the Western European markets

b) inability of the economy to harness its own resources, agricultural transforming it into a market subscription depended import in proportion of coca 70%

c) character of Economics emphasis on manufacturing Assembly "at the expense of the status of" economy and innovation research. "

Are the features that lead to a crisis of domestic production capacity and capitalization of a value added are compatible with the European average. If these features should be taken into account when you make statements of exit from the recession, you reach a deeper understanding of the situation in which we find ourselves and there would be a positive expectation unrealistic about the success of the measures taken or to be taken, they could have towards relaunching the economy by increasing rates extremely optimistic for the years 2011 and 2012.

In conclusion, if at the end of the quarter three of this year we will get out of the recession doesn't mean either that we will eliminate the effects of the international crisis, nor that we remove or at least mitigate the effects of the structural crisis.

3. The report of the phase out of the recession and the exit of economic recovery phase

Economists have likened the graphic form of the current crisis, the growth in the form of letters. If after a period of recession are

growing, then has the shape of the letter V. If after the period of growth is again a period of recession and then rising again, then has the shape of the letter w. might be another form of the letter a or, rather, of a circle. Is a form that I am afraid that you might have declared this exit from the recession. The explanation is simple. If we imagine the starting point of the recession as the top point of the circumference, lower circumference until it reaches the bottom of it, after which the economy climbs up on the circumference of the circle is closed, that is, until you reach the lowest point of the circumference, from which it was originally left.

Closing the circle would mean coming out of recession, so a reason of satisfaction and success of government policies. My view is that you should not rejoice, but on the contrary, let us worry about such a success, because coming out of recession through the entry point touch again in recession are famously missing out on the opportunity to solve the structural problems that we have on our economy and we have mentioned above. Measures which the Government has taken to achieve the indicators for macro stabilization negotiate with the IMF have not, in my view, than the chance to get out of recession through a spin on the circumference of the circle, i.e. without any possibility of structural change. Success would be simply to return to the point before the recession, under no circumstances to a situation different from that of the positive changes in the structure, the efficiency and competitiveness of the economy.

Rotating in circle might not take us, at the time of removal from the recession, than at the same level of underdevelopment of agriculture that we had in 2008, the same primary subcontracting industry to foreign firms, for Assembly of products designed and sold by others on the same recovery incapacity of national potential competition on the European market. 2011 will bring out of the recession, but in the absence of proactive measures rather than genuine transformation of the economic activity in advance of 2008 in a higher rate based on a new economic structure, capable to make the internal factors of competitive advantage, we could not hope for a real economic progress. We continue to spin in a circle.

4. Strengthening and securing macro stabilization

Exit from the recession should be not only an effect of macro stabilization obtained by agreement with the IMF, but also a general framework for the transition from recession to recovery. The question is: how secure is this enhanced and macro stabilization? My view is that this macro stabilization is extremely fragile. The explanation may be given by the type of measures taken in the direction of macro stabilization. They were exclusive, type reductionist "lunches" with immediate effect without any attribute off. Measures of dismissals of staff and reduction in consumption have, indeed, the immediate effect of macro stabilization, but unfortunately generates and effects contraries (perverse) macro stabilization, estimated in the absence of proactive measures taken at the latest the measures reductionist (austerity).

It must also be added and that the maintenance condition of macro stability, under the conditions of a country dependent on food imports, more than 70% and petroleum in the ratio of CA. 65 percent, is subject to the international market and balance. How is inevitable significant increase in the price of cereals and meat and oil, and becomes more problematic macro stabilization and context that it should provide the re-launching and more unpredictable.

The production does not cover consumption

Almost all of the growth of inflation in the first four months of the year was due to food prices, while domestic production could not cover consumption. Exist no viable alternative to the report that was created between adjustment and financing. More on meaning, domestic production does not cover consumption, so it appears inflationary pressures.

The favorable labor market

There are favorable conditions for reducing the level of inflation by the end of the year. Labor market conditions remain favorable disinflation would be easy, which

helps a lot in monetary policy decisions. Externally there are, however, further inflationary pressures on the prices of raw materials, talking about forecasts for the next period. Internally, the Elimination of subsidies to the heat will have an impact on the consumer index and has remained in the category of this factor on the evolution of inflation risks. The fuel price increase inflation expectations can damage.

The unfavorable evolution of inflation and increasing food prices helped fuel

-Factors that have contributed to the unfavorable evolution of inflation are substantial increases in the prices of food commodities on the domestic market and fuels. As regards the factors which have contributed to this negative development, we primarily offer nature adverse shocks. They were reported in the previous report as liabilities and, unfortunately, were materialized in full. It is the substantial increase in prices of food commodities on the domestic market, our index of consumer prices. Such increases were followed by adverse shocks to foreign markets and a situation less favorable to the internal market. The second factor has been the prices of fuels. There significant increases in prices and quotations of international petroleum, in the context of the turmoil in the Middle East and North Africa, and domestic excises. Such increases and abolition of the exemption from excise duty on energy products with content of biomass led to the rise. Inflationary pressure for the weakening of demand driven deficit scenario, being a gradual advance mitigation of the influence of this factor to disinflation, as the economy comes back and install their economic growth. There have been reported so far, and this is a good thing, heartening, inflationary pressures in the labor costs. Wage increases were less than productivity growth.

Helped us and an appreciation of the euro versus dollar, moderate enough for about 4%.According to BNR, the annual inflation rate in the first quarter of 2011, two exceeded the estimates of the National Bank, reaching 8,01%, compared with 7.6 percent in February, making it possible to exceed the forecast for the end of the year, if not

restarted the process of disinflation in semester two. The recent evolution of macroeconomic indicators points to increase the annual inflation rate at the level of 8,01% in March 2011, compared with 7.6 percent in the previous month, due to the materialization of risks by nature offer related to the significant increase in prices of foodstuffs and fuels highlighted in the Report on inflation in February 2011, in the context of growing pressure from accumulating on the international markets of raw materials, announced BNR.

Forecasting of 5.1 percent inflation for the year end

The inflation forecast for this year is by 5.1 percent. 5.1 per cent forecast for this year does not include the increase which realize that it will happen, probably in the autumn, to understanding that this level may be exceeded.

Inflation over the past four months, caused almost entirely by higher prices of the food

Of foodstuffs and fuels highlighted in the Report on inflation in February 2011, in the context of growing Growth of inflation expectations over the past four months was due almost entirely to the segment of the goods. Public dialogue on the causes of the rise in inflation is considered dangerous for that reason there is no problem. The figures, almost all the increase in inflation in these first four months was due to segment goods in internal and external causes. If I had a better production, with a good situation and international developments would not have been so disadvantageous could have avoided this situation.

In a comparison with countries in the area of Romania is in first place at soaring vegetables and between countries with a relatively large rise in oils and fats and sugar. Romania stood better in bakery products, where the rise of prices was determined by the existing stocks and the fact that the wheat was better. The biggest increases in prices of food have been reported in Bulgaria. However, in Romania, the share of food without beverages, in the consumer basket is 33.1 percent, compared with 17 percent.

Other factors that contributed to the growth of inflation expectations were those related to the situation in North Africa and East and petroleum price trends internationally, but also by removing the reduction in excise duty on energy products containing biomass. According to BNR, the annual inflation rate in March of this year exceeded the estimates of the National Bank, reaching 8,01%, compared with 7.6 percent in February, making it possible to exceed the forecast for the end of the year, if not restarted the process of disinflation in semester two.

The recent evolution of macroeconomic indicators points to increase the annual inflation rate at the level of 8,01% in March 2011, compared with 7.6 percent in the previous month, due to the materialization of risks by nature offer related to the significant increase in prices pressure from accumulating on the international markets of raw materials, announced BNR.

Excessive appreciation of the course, unfavorable

The Central Bank considers a strong appreciation of the unfavorable exchange rate. It does not consider that an excessive appreciation of the course is favorable and not support a high volatility in exchange rates.

Inflation will fall in the range being targeted in the first quarter of 2012

Inflation will fall in the range being targeted in the first quarter of 2012 and will have a certain growth in the first half of the year 2013. It will be in the range being targeted in the first quarter of 2012 and we will remain there, with some growth, and early in the year 2013. The Board of Directors of the National Bank of Romania (BNR) decided in February to maintain inflation target for the 2011, 2012, at the level of 3%, plus/minus one percentage point and to adopt a stationary target, starting in 2013, 2.5%, plus/minus one point.

The monetary policy

The Central Bank's monetary policy will continue to monitor the market and will not change its attitude so far in its monetary policy. Continuing his-and the role of supervisor of the market. It will relax monetary policy, will not concede in front of interpretations, when inflation will show the snarl also will have to reduce their reference interest rate, the interest rate for monetary policy. The Board of Directors of the National Bank of Romania has decided to maintain the monetary policy interest rate to 6.25 per cent per annum, proper management of the liquidity of the banking system, maintaining current levels of reserve rates applicable liabilities in lei and foreign currency of credit institutions.

Positive reports on the economy complicates monetary policy

An improvement in sentiment of the country, attested in the reports of international analysts, will attract volatile capital flows which will affect the exchange rate, which will complicate the Central Bank's monetary policy. A case of deviation from the inflation projected trajectory, from the external environment, is that relating to volatile capital flows. We have a better sense of the country, resulted in reports that international analysts. For many years has never seen such an avalanche of positive reports. For BNR is a complication. We complicate monetary policy, how to act on these flows that will affect the exchange rate. It helps us in the short term, but it has adverse effects on the long term. An inflation targeting seeks a low inflation keeping longer periods. The Central Bank is interested in long-term sustainability.

We are not interested in influences on the prices in the short term. We want long-term sustainability. Capital flows with positive evolution over the course helps us in the short term. It is necessary for inflation to drop at a sustainable level without damage perspective on medium and long-term.

Risk of deviation from the inflation target is descending

Risk of deviation from the inflation target is on an upwards, one of the causes being the year 2012, the year of elections. Risk of deviation from the inflation target is up. Approaching 2012, year of election, and there is temptation or pressure related to relief in respect of the program of fiscal consolidation. Also trust in the evolution of inflation persists, but distrust stems from the fact that any of the risk factors influence could have a higher risk. Confidence is maintained, we cannot say that expectations are not anchoring but we observe a weakening confidence on inflation. Any of the factors likely to have a significant influence.

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Correction of the external deficit suggests that the Romanian economy has changed

The external deficit Correction is based on fundamentals, show that the Romanian economy has changed, but the economic equilibrium will take a long time. External deficit correction shows that something has changed in the Romanian economy. The correction is based on fundamentals. Romania also has at its disposal sufficient time to achieve economic equilibrium.

Equilibrium will take longer and we have "enough time to do we keep them". The Central Bank does not have the data needed to be able to affirm that the appreciation of the exchange rate is in line with economic fundamentals. It was said that appreciation is consistent with the fundamentals, because we have not yet needed data. We have no data to say that we are in a position to have an appreciation rates. There is nowhere and here, and retention to help us with this exchange rate in order to win a battle in the short term.

The Central Bank reluctance to handle monetary policy interest rate is justified by the fact that an evolution it would induce alternating uncertainties and would influence in a negative way prices. About the reluctance of BNR in the interest rate to maneuver for monetary policy is arguably not known for its short term goals are not achieved. The manner in which appears this connection and the stability of a rough estimate involves many factors. An evolution of growth and declining interest rates, it would cause confusion, because, according to her handling of contradictory factors influencing prices would not be beneficial.

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The Insurance Market and the Crisis

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Abstract

The Romanian insurance market had and continues to have a similar evolution to the Romanian economy, being heavily influenced by changes in the environment. Nowadays, the insurance market is affected by the crisis. The evolution of the insurance market recorded an ascending trend till 2008, but in 2009 it recorded a decrease which continued in 2010. Causes of the decreases are related to the economic crisis, the significant contraction of sales of vehicles, of motor leasing, of the freezing of bank loans and due to the decrease in the purchasing power, but causes are related also to consumer behaviour. In this paper a documentary study regarding the main characteristics of the Romanian insurance market in the crisis period and the results of a survey regarding the perception on insurance are presented.

Key words: Romanian insurance market, crisis, perception, survey

J.E.L. classification: M31, G22

1. Introduction

Insurance in Romania has a longstanding tradition and the insurance industry has known a spectacular increase in Romania in the period of economic upsurge. The Romanian insurance market had and continues to have a similar evolution to the Romanian economy, being heavily influenced by changes in the environment. The Romanian economy nowadays is strongly integrated in the international economic system [2]. It is also true that Romania has a huge development gap to bridge to reach the average level of the European Union [3]. After the fall of

communism in 1989, the national economy has developed, and along with it the insurance sector. After entering NATO (2004) and EU (2007) the premises for a sustained development existed, however the crisis affected the Romanian economy (the insurance industry included) starting with 2009.

2. The main characteristics of the Romanian insurance market in the period of crisis

In Romania in 2010, at the beginning of the year there were 45 insurance companies authorized to function by CSA, and at the end of the year there were 43 insurance companies (one company has entered in 2010 on the Romanian market and three companies left the market).

The supply on the Romanian market is varied and there is a continuous diversification of insurance products. The development is mainly due to foreign insurance companies. At the beginning of 2010, foreign investors held 88.65% of the insurance societies' share capital and at the end of the year 91.40% of the share capital was foreign capital. Regarding the supply, we can state that the insurance sector in Romania is fully integrated in the world wide industry, the big players being present on the Romanian market.

The potential of the Romanian insurance market is high, due to the large number of people: the population of Romania in 2009 was of 21.46 million people, decreasing to 21.41 million people in 2010, being on 7th place in EU (after Germany, France, UK, Italy, Spain, Poland), due to size of the country: 238391 km², 9th place in EU as geographical area (after France, Spain, Sweden, Germany, Finland, Poland, Italy, UK) and due to the large number of

properties: 8.38 million properties [5], [7]. However, real demand is quite low. The starting point of the Romanian insurance market was very low: in 1995 the volume of gross written premiums was of 142.5 million USD, in 2008 the premiums reached the highest level: 3.15 billion USD and in 2010 dropped to 2.59 billion USD (equivalent of 1.9 billion euro or 8.3 billion lei – see Table 1), a small drop in the world premiums of 2010 of 4339 billion USD [8].

Table 1. Indicators for the Romanian insurance market 2005-2010

Years	Gross written premiums* (lei)	Gross written premiums** (mil. euro)	Real change* ^a (%)
2005	4417165819	1201.3	17.01%
2006	5729284541	1694.2	23.68%
2007	7175789699	1987.6	17.53%
2008	8936286505	2242.4	17.15%
2009	8869746957	2097.8	-5.24%
2010	8305402152	1938.3	-13.26%

*Sources for data: CSA (2011), 2010 Annual Report; CSA (2007), 2006 Annual Report,

** Own computation function of the exchange rate leu/euro 2005: euro 3.6771; 2006: euro 3.3817; 2007: euro 3.6102; 2008: euro 3.9852; 2009: euro 4.2282; 2010: euro 4.2848 (the exchange rate leu/euro from <http://www.cursbnr.ro/arhiva-curs-bnr>)

^a The real change is adjusted by inflation

Nowadays, in Romania the insurance market is affected by the crisis. The evolution of the insurance market recorded an ascending trend till 2008, but in 2009 it recorded a decrease which continued in 2010. The insurance market recorded a decrease of over 5.24% in 2009 compared to 2008 and a decrease of 13.26% in 2010 compared to 2009. According to Swiss Re's latest study "World insurance in 2010", in 2010 as compared to 2009 the world insurance premium volume increased 2.7% on an inflation-adjusted basis.

The low development of the Romanian insurance market is also revealed by the low level of the degree of insurance penetration - see Table 2.

For the first time after the liberalisation of the Romanian market (in 1990) the insurance penetration was declining: in 2009 the

indicator was of 1.8% and in 2010 of 1.62%. The gap compared to developed countries is significant: the insurance penetration for industrialised countries was in 2010 of 8.6% (USA: 8%, Japan 10.1%, UK 12.4%, France 10.5%, Germany 7.2%, Italy 8.1%).

The level of insurance density is also far behind the level of developed countries. In 1995 the insurance density was of 5.6 USD. The highest level of insurance density was in 2008 of 147 USD (equivalent of 104 Euro or 416 lei) and in 2010 the insurance density was decreasing at 121 USD.

Table 2. The degree of insurance penetration and the insurance density 2005-2010

Years	The degree of insurance penetration* ^b (%)	Insurance density* ^c (lei/person)
2005	1.54%	204
2006	1.67%	266
2007	1.77%	332
2008	1.77%	416
2009	1.80%	413
2010	1.62%	389

*Sources for data: CSA (2011), 2010 Annual Report; CSA (2007), 2006 Annual Report

^b The degree of insurance penetration is representing premiums as a % of GDP

^c Insurance density is representing premium per capita

The non-life insurance sector is much more developed in Romania than the life insurance sector and relies on motor vehicle insurance: the optional insurance: land transport vehicles insurance (other than railroads) and the mandatory insurance: third party motor liability insurance. The CSA data shows that in 2009 and in 2010 the structure of the market was similar.

In 2009, the non-life insurance sector represented 81.64% of the total volume of written premiums (CSA 2010). In 2009 the motor insurance represented 77% from non-life insurance and the fire and disaster insurance was 13% from non-life insurance. The optional home insurance represented 43% from fire and disaster insurance. Optional home insurance had a volume of premiums of 94.5 million Euro (4.5% of the total volume of gross written premiums), the number of contracts closed being around 1.5 million in 2009. There was a low level of insurance contracts compared to the number of homes (only about 18% of the total

number of properties having an insurance contract in 2009).

In 2010 the non-life insurance sector represented 79.94% of the total volume of written premiums. Motor insurance represented 74.51% from non-life insurance: land transport vehicles insurance, other than railroads (36.94%) and the third party motor liability insurance (37.57%). The decline of the market in 2010 is due to the decline of the optional insurance for motors (the land transport vehicles insurance, other than railroads). Causes of the decreases are related to the economic crisis, the significant contraction of sales of vehicles, of motor leasing, of the freezing of bank loans and due to the decrease in the purchasing power. Compared to 2009, in 2010 third party motor liability insurance (mandatory insurance) was increasing.

In 2010 fire and other natural disasters insurance was the third category as share in non-life insurance (14.57%).

The home insurance premiums in 2010 were of 94.7 million Euro, representing 42% of fire and other natural disasters insurance. The optional insurance premiums were of 87.8 million Euros and for mandatory home insurance against natural catastrophes issued according to the Law 260/2008 (the system which became operational in July 2010) were of 6.9 million Euro. At the end of 2010, there were 2.081.682 home insurance contracts (1.714.393 optional and 367.289 mandatory). There are 8.38 million privately owned homes in Romania (4.5 million in urban areas and 3.8 million in the rural environment), which means a degree of insurance coverage of houses in Romania of about 24.8%.

Most gross premiums were underwritten in 2010 in the Bucharest area, 49.93%.

The insurance demand on the Romanian market does not have a uniform character. The insurance demand is focused on geographical areas with a high economic potential and on the above-average income population [4].

3. Perception of the Romanian insurance market in the period of crisis - survey

Within the research of the Romanian insurance consumer behavior and the factors

influencing it (project CNC SIS – UEFISCSU number 915 / 2009 PNII – IDEI 1773/2008) we analyzed the perception of insurance among Romanian consumers by using the survey. The survey is a selective quantitative market research. The quantitative research aims at generalizing results at the level of the entire population studied [1].

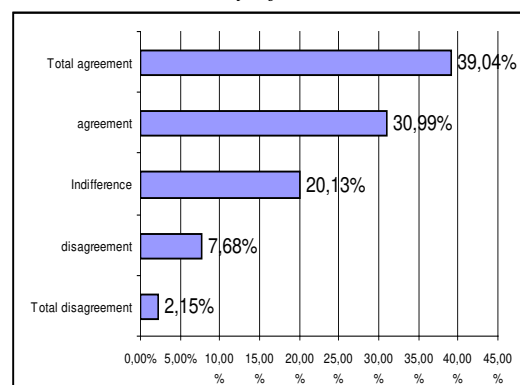
We have studied the opinions of the population having an insurance contract concluded. We have used the market survey on a representative sample of 1068 insured persons. The survey was conducted with a probability of 95% and a margin of error of +/-3% in April - May 2011. The interview was conducted face to face with the subjects, with the help of a written questionnaire filled in by the interviewer.

In this paper we are presenting the results of the research regarding the opinions related to the perception of the necessity of insurance, the perception of the accessibility of insurance, the perception of the effects of the crisis on the insurance industry.

In order to study the opinions of the subjects interviewed regarding their perception of the insurance market we have used the Likert scale with five levels. The subjects interviewed were asked to express their opinions regarding a series of affirmations from total agreement (+2) to total disagreement (-2).

The results showed that the perception is the following: the insurance is necessary even if it implies a financial effort (score 0.97) – see Figure 1.

Figure 1. The perception regarding the necessity of insurance

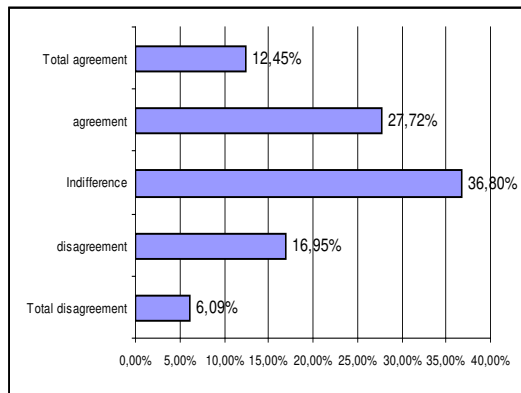


Source: survey

The opinions related to the statement regarding the inaccessibility of insurance

indicate that 40.2% of the subjects consider that insurance is inaccessible (score 0.24).

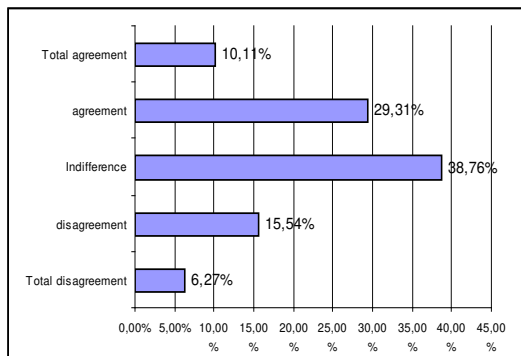
Figure 2. The perception regarding the inaccessibility of insurance



Source: survey

The perception of 39.4% of the interviewed subjects is that insurance companies develop in Romania a benefic activity for the population, 21.8% of the interviewed subjects disagree with this idea and 38.8% do not have a clear point on this matter – see Figure 3. The score was of 0.21.

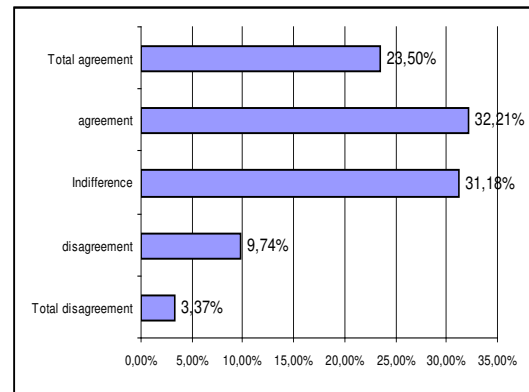
Figure 3. The perception regarding the benefic activity of insurance companies



Source: survey

55.7% of the interviewed subjects consider that the crisis has severe effects on the insurance industry, 31.2% of the subjects do not have an opinion and 13.1% of the subjects disagree with the statement.

Figure 4. The perception regarding the effects of the crisis on the insurance industry

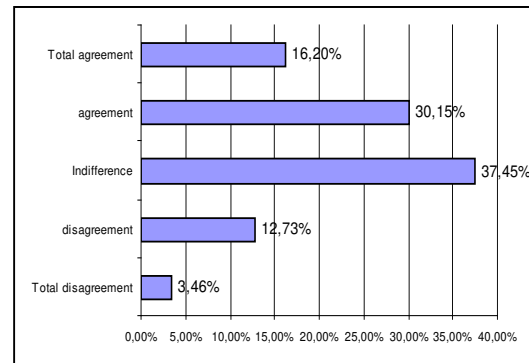


Source: survey

The total score was 0.63, indicating that there is an agreement with the sentence: “The crisis has a serious effect on the insurance sector in Romania”.

There is an agreement with the statement: “The economic situation makes long term insurance unattractive“ (score 0.43) – see Figure 5.

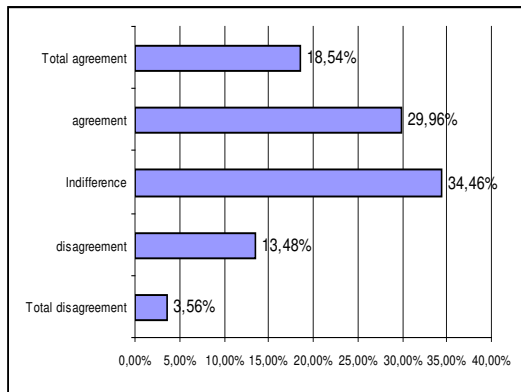
Figure 5. The opinions related to the statement: “The economic situation makes long term insurance unattractive“



Source: survey

18.5% of the interviewed subjects totally agree with the necessity of insurance during crisis and 30% of the subjects consider that insurance is necessary during crisis. Only 17% do not consider insurance necessary during a crisis.

Figure 6. The perception regarding the necessity of insurance during crisis



Source: survey

The score of 0.46 indicate that the subjects interviewed agree that insurance is necessary during a crisis.

4. Conclusion

The insurance market is affected by the crisis, being influenced by changes in the environment. An important influence was related to the negative evolution of car sales and of motor leasing. The causes of the decreases on the Romanian insurance market are related to the economic crisis: the decrease of the purchasing power of potential insured, but also to the insured behaviour.

The difference between the potential demand and effective demand can be explained in the first place by economic factors: the low level of income of the population, and, in the second place, by sociological and cultural factors.

The market survey realized in April - May 2011 indicated that the perception is that insurance is necessary even if it implies a financial effort, that insurance is perceived as inaccessible by a large part of the

interviewed subjects; the interviewed subjects consider that the insurance companies develop in Romania a benefic activity to the population, the perception is that the crisis has severe effects on the insurance industry and the subjects interviewed consider that insurance is necessary during a crisis.

Education can change the behaviour of the potential insured and mentality can be influenced by the insurance companies. Therefore, the role of insurance companies is extremely important; they have to educate and to create a new mentality.

5. Acknowledgement

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Challenges of the Financial Crisis to the IMF and World Bank

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Abstract

The recent financial crisis, this time started from the most powerful and liberized economy has affected the entire world. Its causes and effects are still intensely debated in political circles, in academic environments, within NGO's and financial markets. An incresigly prevalent conclusion that emerges from this debates is that a global approach to address the crisis is needed, through collaboration and coordination of the necessary actions ment to restore the trust in the international financial system.

The crisis brought into a new light the special role that IMF and World Bank are called upon to play in their actions of reforming and rebuilding the trust whithin the international financial system.

In this respect, our work aims to present some of the challanges launched by the recent crisis to the International Monetary Fund and the World Bank. These challenges are related to the way in which the main international financial institutions plan to act in order to resolve the current crisis and to prevent and address the future crises.

Key words: financial crisis, IMF, World Bank, challenges

J.E.L. classification: E02, E59, F33

1. Introduction

The analysis of the financial crises that occurred in the past 20 years, but especially of the one triggered in June 2007, revealed a strong and dynamic dimension of globalization and the consequences of this phenomenon. It also highlighted the huge increase in volume and the volatility of

capital flows, and also the degree of interconnectivity between financial markets leading to a fast paced contagion with triggering a financial crisis. An extensive literature deals with the factors, causes and effects of these crises and proposes solutions to solve them.

Out of this factors the most nominated were[2]: 1) the financial deregulation process started in the '70's, following an opinion trend that supported a so called fundamentalism of free markets which become self-regulated and self-balanced. Consequently emerged a process of removal of the banking regulations set up after the 1930's Big Depression; 2) the financial innovation and the deeper segmentation of the financial products which became more and more complex and sophisticated end up by being misunderstood by the market players; 3) the lax monetary policy promoted low interest rates which lead to a cheap liquidity excess on the financial markets; 4) the excessive leverage, the indebtedness of the households, companies, the financial intermediaries and of the nations, also the maturity asymmetries between assets and liabilities; 5) poor incentives, the regulatory and the supervisory gaps in certain important segments of financial system; 6) pro-cyclical dynamics in the regulatory system, accounting and risk management, with low standards in the processes of subscription, registering, regulating and market monitoring; 7) the greed manifested by large financial institutions looking for excessive returns, associated with risks outsourcing in order to protect their balance sheets, in the context of a large opacity and market fragmentation within which the risks location and exposures was unclear and became cloudy; 8) the poor corporate governance which promoted an excessive risk tolerance

and a risk mismanagement both in the financial corporations and in their regulators and supervisory bodies. As well, it promoted a remuneration, bonus and incentive system for the managers, dealers and financial market brokers that overcompensated the short term performance whilst they assumed long term risks. This led to the excessive risk taking and a lack of transparency that generated an asymmetry of information in important financial market segments; 9) originating and distribution models of complex products which created perverse incentives for investors which not only blurred the relationships between lenders and borrowers, but on top of it, they distracted the capacity of debtors to pay the loans without collateral foreclosure. In this way was sometimes intentionally underestimated the risk of liquidity and many financial institutions mismanaged the process of coordinating the maturities; 10) the inadequate activity of Credit Risk Agencies (rating agencies), manifested by promoting on the market of a weak perception of credit risk and default by rating AAA the so called "senior tranches" of structured financial products as CDOs (Collateralized Debt Obligations), the same rating as the one for governmental bonds. This action was taken without having historical data to back and show the evolution of default rate for these products in turmoil and crisis conditions. 11) large current account and budget deficits recorded by most economies; 12) the excess of indebtedness of the U.S. economy and population and the saving surplus of the developed and emerging states from Asia and especially China;

All this factors constituted as many causes that determined the trigger of crisis, being generated by the activity of financial institutions, companies, the regulatory agencies, the supervisory and rating agencies and also by the politicians. Within these actors banking system plays a crucial role.

Even though regarding the factors, causes and actors that contributed to triggering and deepening financial crises we may not always find a consensus, however there is one that states: the solutions needed in order to solve the problems generated by the crisis must be global. These solutions must be found and implemented through cooperation and consensus by key players of national and

international financial markets.

Within the process of addressing the financial crises, of recovering and restoring the stability and confidence in the financial-banking system, a crucial role is reserved to the international financial institutions (IFI), respectively to the International Monetary Fund and the World Bank.

Being the main institutions with a global activity and having key attributions such as: providing a wide monetary and financial cooperation aimed at contributing to the balanced development of trade, financial and monetary foreign exchange, enabling balanced and sustainable growth of all economies and the reduction of poverty at a global level, IMF and World Bank are forced to face new and remarkable challenges.

In order to efficiently contribute to addressing the serious issues facing both developing states and emerging and developed countries, IMF and World Bank are called upon responding to new challenges. These challenges are related to: global commercial imbalances and payment balances, strengthening the financial supervision in the global economy through cooperation and collaboration with other agencies, the need to increase the credit resources and to improve the credit instruments, to improve the financial governance.

Starting from the elements mentioned above, this article aims to present and debate some of the most recent challenges that the occurring financial crises put in front of IMF and World Bank.

2. Challenges to the IMF and World Bank

As the main international financial institutions, also known as Bretton Woods Institutions, the two great institutions promoted in the 80's and 90's the neoliberal paradigm of economic development under the primacy of the so called: "Washington Consensus". It involved a series of recommendations on economic development policies in respect to: financial discipline with avoidance of large fiscal deficits relative to GDP; redirection of public expenditure priorities toward fields offering both high economic returns and the potential to

improve income distribution, such as primary health care, primary education, and infrastructure; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalization; a competitive exchange rate; trade liberalization; liberalization of inflows of foreign direct investment; privatization of state enterprises; deregulation (to abolish barriers to entry and exit); secure property rights;. The term Washington Consensus has commonly come to be used in a second, broader sense, to refer to a more general orientation towards a strongly market-based approach (sometimes described, typically pejoratively, as market fundamentalism or neoliberalism).

These prescriptions have long been recommended and applied as standard packages of reform in developing and emerging countries to solve the problems they faced.

It was considered that by adopting and applying these prescriptions it definitely led to strengthening the macroeconomic framework of the member states, public sector deficit and sovereign debt reduction, to the enforcement of monetary surveillance and reduce distortions in resource allocation in an inflationist environment. It was also considered that capital account and market liberalization contributed to attracting foreign direct investments and to the trade increase leading to economic growth, financial stability and prevented financial and economic crises.

Granting by IMF and World Bank of financial support packages to the countries with financial difficulties was conditioned by respecting these prescriptions and by implementing the recommended economic policies. All these prescriptions usually reflected the vision of the developed countries towards how economic development should unfold.

Many developing and emerging countries did not share this vision, but they were constrained to apply these policies.

Implementing the IMF and World Bank recommended policies, although it had some partial achievements, didn't lead to balanced development and growth of economies nor to the elimination or substantial reduction of financial and economic crises or to widely reduce poverty and underdevelopment. As a testimony to this are the frequent crises that

occurred in the 90's in Latin America, South-East Asia, Russia and Turkey. The poverty and underdevelopment didn't reduced dramatically.

A study conducted by the World Bank shows that 90 percent of the developing countries are severely threatened by the dramatic increase of the poverty levels as an effect to economic crisis [1]. Frustration and dissatisfaction to the inconsistency of action of the two institutions accumulated between both emerging and developing countries and also among the developed ones. Thus, there was a great criticism of the organization, leadership and action of both IMF and World Bank to the lack of conclusive results in provision, preventing and resolving the financial crisis by these two institutions. The critics aimed mainly the weaknesses and the inadequate policies promoted and the impact of these policies to large sectors of the population and development.

There are criticisms aimed at IMF and World Bank's ability to realize the role and purpose for which they were built, the governance and power structure, lack of responsibility for the errors made in promoting and enforcing the financial and economic policies, how they implement the conditionalities imposed on member countries in granting financing. The current crisis only brought forward with more intensity the realism of these critics and underlined once more the vulnerabilities of the international financial institutions (IFI). They must face new challenges determined by the effects of the crisis and globalization in order to fulfill the role and the purpose for which they were established.

The first challenge they must cope with is generated by the explosive growth of markets and capital flows, and also by their extreme volatility that has a consistent potential for imbalances and may generate devastating crises. The crises from South-East Asia, Russia and Argentina, showed that IMF approach for addressing them was inadequate and that there is an imperious need to improve the prediction, prevention and solving capabilities to address the crises.

The neoliberal paradigm, which asserts that the markets are rational, self-controlled and self-balanced, proved inconsistent and insufficient and must be supplemented with other approaches. The countries that resisted

the IMF pressure and applied with caution the liberalization and deregulation such as Chile, Colombia, China, India, coped better with the challenges generated by capital flows.

A second challenge is generated by the massive reverse of the previous large capital flows from the developed countries towards the developing countries. Flow reversal was determined on one hand by the withdrawal of capital from the developing countries due to increased risk aversion in financial markets, making these countries capital exporters and, on the other hand, as a consequence of certain measures undertaken by developing and emerging countries to insure against the risk generated by the capital markets volatility through accumulating of large capital reserves. Major holders of foreign reserves are: China 2.34 trillions \$, Russia 439.8 billions \$, Taiwan 347.2 billions \$, India 283.7 billions \$, South Korea 273.8 billions \$, Hong Kong 255.8 billions \$, Brazil 240.5 billions \$, Singapore 187.9 billions \$, Algeria 149.1 billions \$, Thailand 138.4 billions \$, Mexico 99.9 billions \$, Libya 99.67 billions \$, Malaysia 97.6 billions \$ etc. As a result, many of these countries became capital exporters, mainly to finance de deficits of larger developed countries.

The effect is a poor allocation of resources across the economy and widening of the imbalances that have been one of the causes of the current crisis. IMF and World Bank must find solutions in order to fight this tendency. The third challenge consists in understanding the neoliberal paradigm of economic development based on free markets and according to the Washingtonian Consensus had inconsistent results. The Latin American countries that embraced with enthusiasm the IMF prescription regarding market liberalization, deregulation, strengthening of public financing etc., registered during the last 10-15 years of applying these policies yearly economic growth of barely have of the ones registered during the period 1930-1970, years in which they applied their own policies. By contrast in the same recent years, a group of countries from Asia amongst which are China, India, Vietnam, South Korea and others, registered high rates of economic growth by guiding themselves after a different and more interventionist model of development that

combined a graduated opening of the capital account and a protectionism generated by taxes and subsidies used as incentives. This contrast raises questions about the effectiveness of IMF and World Bank recommended policies, and asks for a rethinking of those in accordance with the current market conditions and requirements. The fourth challenge raised to IFI by the financial crises, is represented by the need of reforming the way the financial resources are attracted and by reforming the mechanisms and the credit instruments. The effects of the current crises have generated great demand for funds to support countries and economies in financial difficulties. This time, capital demand came also from developed countries, fact that complicated once more the financing operations realized by IFI.

The sovereign debt crisis triggered within the European Union sets more pressure upon the IMF resources, which are requested to sustain the bailout processes of highly affected countries such as Greece, Ireland, Portugal, Italy and Spain. But IMF resources are limited and insufficient in the current conjuncture. This implies a great challenge to IMF, which must urgently increase financing resources beyond current mechanisms and instruments, General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) through loans on bilateral bases with the new owners of financial resources: the emerging countries. Although IMF increased its funds up to 750 billions \$ through new SDR allocation and by supplementing the NAB as a consequence of the G20 decision, the need for funds is still high. It is estimated that only Italy alone will request in the near future 650 billions \$ in order to sustain its sovereign debt. In the situation in which other developed countries will face the same problems regarding the sovereign debt the need for funding remains a big challenge.

The recent UE decision taken at the Brussels summit in 8-9 December 2011 to lend to IMF 200 billions EUR is meant to address this demand for funds. In terms of reforming IMF credit policies, it must follow several important objectives, namely: diversification and renewal of credit instruments, increasing the speed of response to requests for credit, increase the flexibility of compliance, focusing on objectives rather

than on specific actions.

Another important challenge is the reform of IMF governance and its surveillance over the global economy. The current IMF governance is dominated by the developed countries, which detain the voting and decision powers and also provide the main financial resources. The power structure is more heavily contested due to the fact that it doesn't reflect anymore the new balance of power within global economy.

The new emerging countries, especially the BRICS Group (Brazil, Russia, India, China, South Africa), claim more power within the IMF Board, reflecting their country's position in the global economy. They believe that in order to ensure more credibility and representation IMF must respect a series of principles, namely [3]:

- a) The institution should not be dominated by creditors;
- b) Potential debtor and debtor countries should have a strong voice within the decision process but not the majority in decision-making processes;
- c) The overall voting power of creditor and possible debtor countries should be approximately balanced. This increases the probability that every case would be judged according to its own merits.
- d) The IMF contribution and the access to its resources should be in concordance with the size of the economies of the member states;
- e) The IMF size should increase in line with the potential need for its resources, being closely linked to the global trade expansion and the international capital flows growth.

There is also required a review of the IMF participation rates that would make possible a stronger affirmation of emerging countries that conquered new positions in the global economy. The challenge for IMF is closely linked to its power to adapt in order to be able to effectively meet these new requests. One last challenge that we took into consideration is to answer the need to strengthen the financial system and global economy supervision by extending collaboration and coordination with other institutions and agencies.

3. Conclusions

The crisis reiterated the need to address its effects, rendering confidence on markets, and also underlined the need of a strong cooperation and coordination between national and international authorities at a global level. It also reiterated the important role of the International Financial Institutions (IFI) in the process of predicting, preventing and solving the crises. For this role to become effective and efficient, IFI must address the challenges of increasing the speed of response to requests from member states, to make more flexible the mechanisms and instruments of attracting resources and granting financing.

IFI must improve its governance by changing the balance of power within its boards and the allocation of shares in accordance with the new changes in position of member countries in the global economy. The crisis also emphasized the need of coordination and a stronger correlation between the processes of markets and economies' regulation and supervision as a huge challenge for IFI. It remains to be seen how the IFI will respond in the future period to this tasks and challenges.

4. Acknowledgement

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Analysis regarding the International Competitiveness of the Business Sector in Romania in the Context of the Global Economic Crisis

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Abstract

Economists argue that the SME sector is the most important Romanian economy and also the only sector that can bring economic recovery. The entrepreneurs are the key of the economic recovery and they are stimulates the enhancement of SMEs to contribute to ensuring economic growth resources in difficult times. Paper aims to reflect the impact of global economic crisis on the number of SME development in Romania. The article is based on an analysis of research conducted by the Doing Business Report 2010, at the level of 183 countries worldwide. The article highlights the Romania place in the global ranking depending on a number of indicators analized.

Key words: performance, economic crisis, SME, competitiveness, indicator
J.E.L. classification: L25, H12

1. Introduction

Peter Drucker said that "*small business is the main catalyst of economic growth.*" These businesses contribute to the basic objectives of any national economy, becoming the "*driving forces*" of economic and social progress [1].

Small and medium enterprises represented primarily by small businesses, are the engine of the European economy. Most businesses in the European Union are small businesses [5].

SMEs play a decisive role in European competitiveness and economic growth. To help them realize their growth potential, the EU promote entrepreneurship and create a

favorable business environment for small businesses.

SMEs have become increasingly important in our society as providers of employment opportunities and key elements for the welfare of local and regional communities. Unfortunately, SMEs have been quite affected by economic and financial crisis [4].

2. Impact of global economic crisis on the number of SMEs in Romania

Currently, the economic crisis has seriously affected a number of companies and has produced a series of changes in short and long term strategies, particularly in the context of the Romanian market where it has entered a number of companies offering competitive products and services of the local market. [2]

Impact of global economic crisis was felt strongly in the Romanian economy as a whole, which was affected by a substantial slowdown in growth, with immediate adverse effects on people and companies focusing primarily jobs and sales volume.

Romania's SMEs have been affected by economic crisis and lack of coherent economic programs, excessive bureaucracy and corruption had a negative influence on the performance of small and medium enterprises. [7].

In 2007-2009, the development of SMEs has revealed a number of particular issues. The process of entry and exit from the market in the SME sector is a natural one stemming from the building upon its characteristics of new market opportunities and adapt to innovation, technological development, qualitative change and orientation towards the needs and customer demand continues.

Tabel 1. Join SME Development in 2007-2009

Period	2007	2008			2009		
		Sem.I	Sem.II	Total an	Sem.I	Sem.II	Total an
Registrations	140.073	76.460	64.182	140.642	60.979	55.043	116.022
Strike-off	20.401	6.495	11.181	17.676	12.037	31.578	43.615
Suspensions	12.012	7.194	4.825	12.019	71.250	62.112	133.362

Source: Annual Report on the SME sector in Romania, developments between the difficulties and challenges, 2010, section "Publications", pg.28.

One can see that in the crisis year 2009, the establishment of SMEs has continued at a less dynamic, while output rose sharply in the economic environment by radiation and in particular the suspension of activity.

Thus, in 2009 more than 133,000 SMEs have suspended activity compared with only 12,000 in the year 2007 and 12,019 in 2008, representing an explosive increase of over 11 times compared to previous years. It is also apparent that the suspension of activity had a spectacular dynamic, both as compared to the previous years and compared with the number of erasures final. The main form of exit from the market in 2009 was suspended activity which has grown three times larger compared with the number of erasures.

The fact that in 2009 the creation new SMEs has fallen dramatically demonstrates on the one hand, potential coaches of Romania, on the other hand, need to support the development of SMEs, as an exit and a way to revive economic growth.

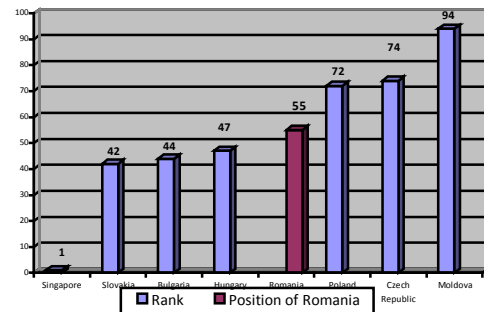
3. Analysis of international competitiveness of the business sector in Romania

"Doing Business Report" is one of the most comprehensive global comparative studies are conducted regularly at intervals of one year and is conducted by the World Bank. Research conducted annually comprises 183 countries worldwide.

Global economic crisis in Romania were the loss of 10 positions in the global rankings on the ease of doing business. Thus, the overall index on "ease of doing business" ranked 45 places Romania in 2008 and

ranked 55 in 2009, ranking of 183 countries surveyed. In the figure below we can see Romania's position in the rankings, but also important in this neighborhood hierarchy.

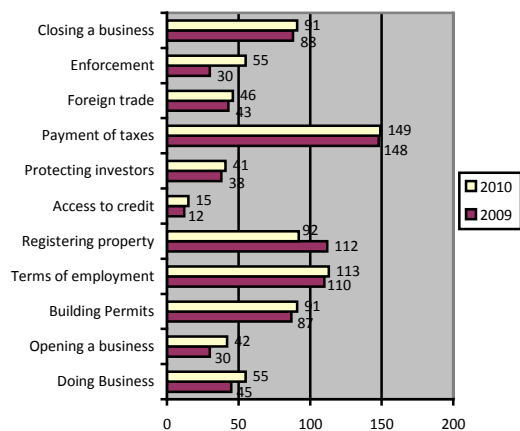
Figure 1. Romania's position in the overall standings Doing Business Report



Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

It can be seen from Figure 1 that the index in terms of overall "ease of doing business", Romania ranks 55 and positioned in front of Poland (position 72), Czech Republic (item 74) and Moldova (position 94), but behind Hungary (position 47) and even Bulgaria (item 44). Figure 2 presents the seats obtained by Romania, in terms of each indicator included in this analysis, the dynamics of the two years 2009 and 2010. The analysis highlights both the set of 10 indicators of deterioration in previously held positions as well as improvements in performance on other criteria analysis.

Figure 2. The evolution of Romania's position in relation to each indicator in 2010 and 2009

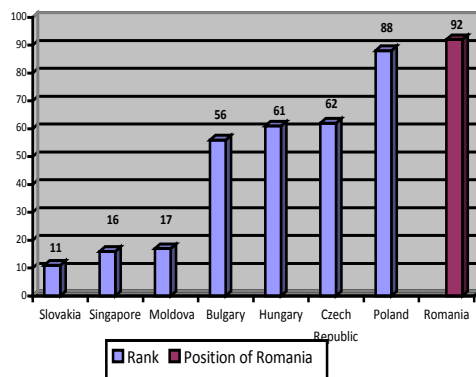


Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

Overall business targeting global index, Romania lose 10 positions. As can be seen in Figure No. 2, causes deterioration of the position in the rankings are due to loss of position in nearly all criteria for analysis, but with a significant loss, ie 15 positions at the indicator "Enforcement", 12 positions to the indicator Opening a business.

The only indicator where Romania's position has improved in ranking is "Registering Property" and 92nd position in 2010 compared with 112 in 2009.

Figure 3. Romania and neighboring position in the rankings depending on the indicator "Registration of property"



Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

The "Registration of property, although improved by 10 positions in the rankings, placing Romania (92nd) far behind many countries in the region, namely from Poland (position 88), Czech Republic (item 62), Hungary (position 61), Bulgaria (item 56).

Also in the world ranking, positioning can be observed on top of Moldova (position 17), Slovakia (item 11).

4. Research methodology and results

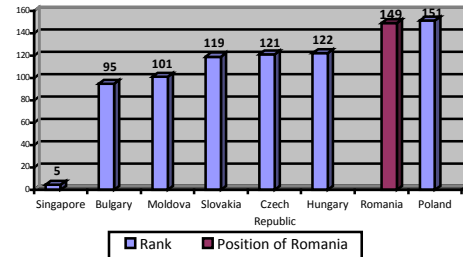
Based on the foregoing and considering the fact that Romania has lost the position in almost all indicators included in the analysis, research based on analysis of Romania and neighboring position in the rankings according to each indicator separately, using data supplied by Doing Business Report.

Place 149 for the indicator "Payment of fees and taxes"

This index places Romania on the world ranking 149 with a total of 113 payments per year, with payment procedures that involve a

number of 202 hours allocated to a level of gross sales tax 16.04% taxes employment and social security contributions as a percentage of 34.2% and a total tax rate that amounts to 44.6%.

Figure 4. Romania's position in the neighborhood and according to the indicator tables "Payment of fees and taxes"



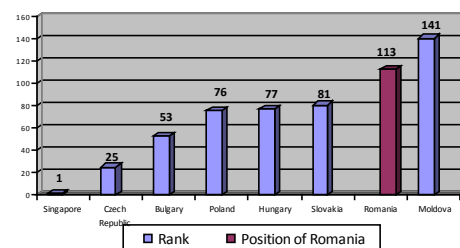
Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

In the above figure can be seen that all countries in the region included in this analysis is placed in the second part of the rankings, that the position 95, occupied by Bulgaria and to position 151, occupied by Poland. Except in Poland, Romania has the most disadvantageous position, which leads to the conclusion that the adoption of public policies, regulations and systems to simplify the required paperwork and procedures administratively easier to pay taxes.

Place 113 for the indicator "conditions of employment of labor"

This place 113, positioned Romania just ahead of Moldova (position 141) and far behind Slovakia 8poziția 81), Hungary (position 77), Poland (position 76), Bulgaria (position 53) and the Czech Republic (item 25), the latter being the best positioned among all states in the region on this indicator.

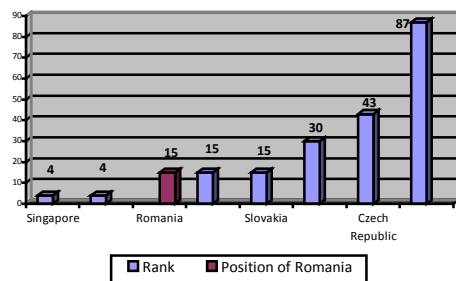
Figure 5. Romania's position in the neighborhood and according to the indicator tables "Conditions for getting a new hire labor"



Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>
Place 115 for the indicator "Access to credit"

This vantage point places Romania in the world rankings in a tie with Poland and Slovakia, but also far ahead of other countries in the region and Moldova (position 87), Czech Republic (item 43), Hungary (position 30). With regard to Romania, this place 15 is derived from a score of 8 points in the enforcement of legal rights index strength (1-10), five reference points in depth information on the credit index (0-6) and viewed coverage offered through the Public Register which comprises 5.7% of the adult population of the country.

Figure 6. Romania's position in the rankings and neighborhoods depending on the indicator "Access to credit"

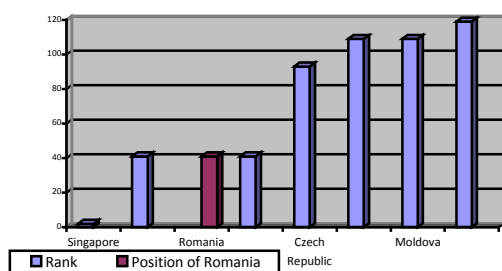


Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

Place 41 for the indicator "Protecting investors"

Romania was assigned an index based on the 41st of September on the coverage of public information (index methodology evolved from 0-10), an index of 4 on a scale of 10 units which assesses the ease of identifying ownership and not least for a score of 6 points out of 10, for the strength of investor protection.

Figure 7. Romania's position in the rankings and neighborhoods depending on the indicator "investor protection"



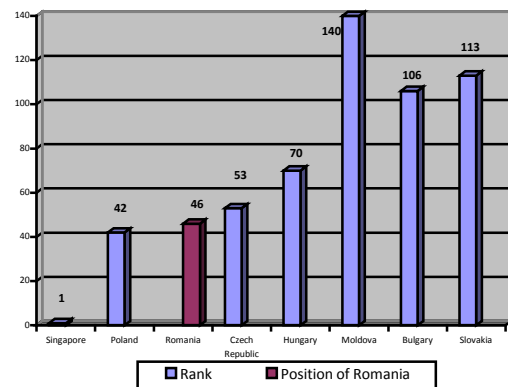
Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

This place positioned Romania at the same level with Poland, Bulgaria and before Hungary (position 119), Moldova (position 109), Slovakia (position 109) and Czech Republic (position 119).

Place 46 for the indicator "External trade"

With a slight deterioration in the position in the rankings this place as a result of a number of documents required five operations and a number of six export import documents, requiring about 12 days in duration to ensure compliance to export and 13 days for import operations, which require cost U.S. \$ 1.275 per container for export and U.S. \$ 1.175 per container import.

Figure 8. Romania's position in the rankings and neighborhoods depending on the indicator "foreign commerce"



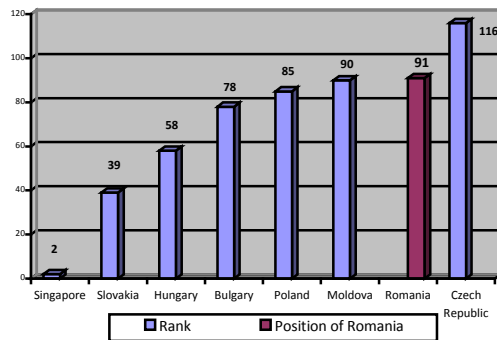
Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

It can be seen from the above figure, however, that Romania's position is well ahead of other countries in the region and Moldova (position 140), Slovakia (position 113), Bulgaria (position 106), Hungary (position 70) and Czech Republic (item 53).

Place 91 for the indicator "Closing a business"

Procedures for an average within 3.3 years and requires a cost amounting to 11% of the property. This indicator positioned Romania behind many countries in the region such as Slovakia (position 39), Hungary (position 58), Bulgaria (position 78), Poland (position 85) and Moldova (position 90), yet in the Czech Republic which had position 116 in rankings conducted by the Doing Business Report.

Figure 9. *Romania's position in the rankings and neighborhoods depending on the indicator "Closing a business"*

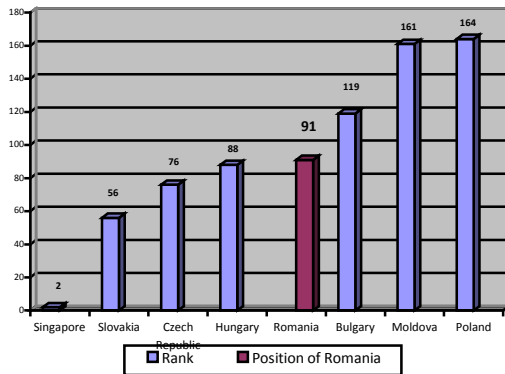


Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

Place 91 for the indicator "Obtaining building permits"

The process requires going through 17 procedures that require a period of 243 days and whose cost amounts to 87.9% of income per capita, a significant downward trend compared to 2007.

Figure 10. *Romania's position in the neighborhood and according to the indicator tables "Obtaining building permits"*



Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

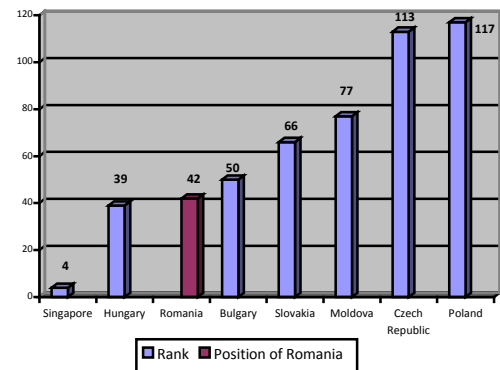
This place, respectively 91, positioned Romania before Poland (position 146), Moldova (position 161) and Bulgaria (position 119), but behind Hungary (position 88), Czech Republic (item 76) and Slovakia (item 56).

Place 42 for the indicator "Opening a business"

In Romania, a business establishment is based on six procedures, lasts an average of 10 days is 2.9% of average income per capita and the share of the costs of making the

business relative to the minimum starting capital, amounting to 0.9 % of average income per capita (past issues recorded a slight decrease in the last two years). From the perspective of this index, Romania is placed before Poland (position 117), the Czech Republic (position 113), Moldova (position 77), Slovakia (position 66) and Bulgaria (50), but behind Hungary (position 39).

Figure 11. *Romania's position in the rankings and neighborhoods depending on the indicator "Opening a business"*

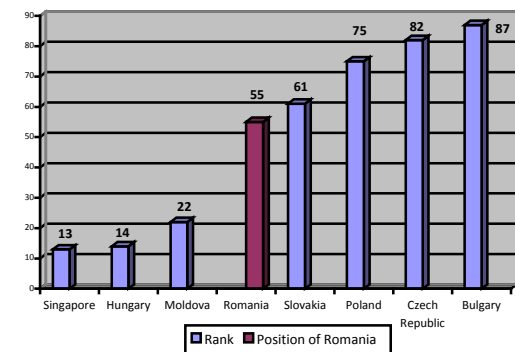


Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

Place 55 for the indicator "Enforcement"

According to research conducted, Romania included a number of 31 procedures to be followed, a period of 512 days for their completion and a cost that rises to 28.9% of the amount claimed.

Figure 12. *Romania's position in the rankings and neighborhoods depending on the indicator "Enforcement"*



Source: Doing Business Report 2010, World Bank, <http://www.doingbusiness.org/reports>

This position places Romania long before Bulgaria (position 87), Czech (position 82), Poland (position 75) and Slovakia (position 61), but far behind Hungary (item 14) and Moldova (position 22).

5. Conclusions

Romania's economy was heavily affected by global economic crisis.

The global economic crisis had the following consequences for SMEs in Romania:

⇒ 133,000 SMEs have suspended business activities, which represents an increase over 2007 by 11 times;

⇒ 43 600 firms were deleted from the Register of Commerce, which represents an increase of more than 2.3 times the number recorded in 2007;

⇒ process of setting up new SMEs has slowed, however a number of 116,000 to set up new businesses;

⇒ main exit from the market as was the suspension of activity, number of firms suspended Oti was 3 higher compared to the number of removals;

⇒ most affected sectors were intermediere estate services, construction, industry and administration and support services, wholesale and retail trade;

⇒ most new legal entities were created within the scope of business activities, scientific and technical.

According to the Doing Business Report 2010, Romania is in 2009, where 55 out of 183 countries assessed, the fund recorded a deterioration of the global crisis of the place formerly held 10 positions.

6. Acknowledgement

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Employment Policies Working in Romania - between Theory and Reality

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Abstract

Important tool to regulate the labor market, employment policies are concerns of state intervention in the labor market in order to ensure the highest level of employment and reduce the possible undesirable effects of unemployment. The transition process of the Romanian economy, which began 20 years ago, resulted in profound changes in all areas of society: political, economic and social emergence and development of unemployment is only one of them.

Key words: labor market, flexibility, measures set

J.E.L. classification: J68

1. Introduction

Many scientists and politicians agreed that the social problems of unemployment can not be resolved without a major reform of social policy in general and employment in particular, issues necessarily imposed by the government to adopt employment policies designed to the one hand to help the unemployed and the other part to help reduce and maintain the level of unemployment in certain proportions.

Thus, the state's role in managing labor market consists of various direct and indirect actions, which stimulates the creation of new jobs in the modern economy.

This stems from the fact that most activities in the economy is privately owned, and the structure being freely determined by entrepreneurs and the government only participate in these activities to some extent, public enterprises are managed in the same way as the private, on the same principles of free market.

Thus, the developed economies have a well-established entrepreneurial tradition, a variety of qualifications, financial institutional and economic structure of a coherent and dynamic adaptable, allowing problems of employment in accordance with the requirements of economic efficiency, social, ecological and demographic. In such a context, employment policies have an important job, which is of concern both theorists and practitioners.

2. The policies to stimulate the employment

Thus, the developed economies have a well-established entrepreneurial tradition, a variety of qualifications, financial institutional and economic structure of a coherent and dynamic adaptable, allowing problems of employment in accordance with the requirements of economic efficiency, social, ecological and demographic. In such a context, employment policies have an important job, which is of concern both theorists and practitioners.

Employment policies vary from state to state, is a set of measures that are developed by state to intervene in the labor market in order to stimulate job creation, improvement of labor resources to adapt to the needs of the economy, the fluidity and flexibility ensure efficient labor market, thus reducing imbalances and disruptions in the labor market, which include labor market support programs, achieved through passive measures and active measures.

Passive the policies are those that start employment in the occupation considered given and seek solutions to employ surplus labor resources. These policies take into account that the level of employment is determined by general economic conditions, which are regulated by the market and focus on protection of the unemployed, particularly through unemployment benefits and active

confident individuals to withdraw from the labor market. They have a dominant character may encourage long-term unemployment, while constituting a factor for some labor demotivator. Meanwhile, long-term unemployment, social security and eroding drains revenues that fuel the basic structure of unemployment.

Measures that make these policies and aims one nine defensive character of labor market segmentation and relative decline, further, persons employed. However, such measures are correlated with overall size of the productivity effects of which serve to cover the economic units, the cost of unemployment benefits. But should be taken into account that raising productivity is likely to cancel the effect of creating new jobs as a result of shortened work week, the economic units.

Of employment policy measures passive, more significant are reducing working hours, reduction of retirement age, increasing the period of compulsory schooling, unemployment, support allowance; restricting immigration.

Active employment the policies are those that involve a mix of measures, methods, processes and tools with which it aims to increase employment levels, the development of coherent systems of active measures at national and local solutions and to maintain unemployment levels acceptable. They include measures to encourage increased mobility of the active population and the creation of new jobs based on investment. Such measures are offensive and promotes adaptation to the requirements of the working population available vacancies.

Of active policy measures are most relevant: improving the content of education at all levels, improve educational and vocational guidance of youth, while correlating the re-qualification requirements and labor, stimulate the mobility of assets to new jobs; information, mediation and placement, subsidized employment for certain categories of unemployed, facilities for both employers and employees, stimulate free initiative of the unemployed by providing loans, investments that enhance economic fundamental act that generates the greatest capacity to create jobs.

Job creation is actually one of the most active of boosting can be achieved by several means and methods.

For example, new jobs may result directly from the creation of business incubators, technological parks or financial assistance for the creation of small and medium enterprises, or may be the result of present actions that generate effects in the future, such as courses training and retraining, retraining programs and career guidance, advice and support entrepreneurship, mediation, counseling and vocational guidance.

It should be noted that the mere creation of jobs does not necessarily lead to increased employment rate or unemployment rate decrease, while necessary and concerns regarding the level of training of the workforce, its ability to adapt to the pace more rapid change; necessary conditions for some of the new jobs created.

As a result of the implementation of active policies has a significant impact for the purposes of stabilization and even slight decrease in unemployment, while led to their widespread application in both public and private sectors, thus helping to stimulate individuals to develop economic activities in accordance with the needs perceived as such, while ensuring and increasing the employment rate.

Effectiveness of employment policy measures based on both passive and active, was often challenged, especially because the instruments used, which are often modeled in accordance with examples of states that exhibit traditional market economy, being in fact a mixture of strategies do not focus strictly on the specific national profile, which is why the law in our country has seen many changes from up to date.

The main employment policies, management policies understood as global demand for labor, failure to meet the domestic market must be in conjunction with appropriate structural policies aimed at economic recovery. In agreement with the structural changes required to be performed training and workforce flexibility by promoting proactive programs, medium and long term prospective.

3. From theory to reality

Romania's transition from centralized economy to a market economy has been a difficult period for our country, showing a series of disturbances across the economy, the labor market is one of the most affected by this transition.

If before 1990, only those who remained did not want to work outside the labor market, job guarantee is a feature of society based on centralized economy that offers a sense of stability and security for most people, thus protecting them the possibility of entry into unemployment after 1990, unemployment in Romania, became a reality and a priority issue when there was surplus labor, due to restructuring and privatization in particular industries, appearance had the effect of releasing a significant number of jobs, whose absorption by creating new jobs by the private sector was not possible, the phenomenon of unemployment is so strongly felt as a result of socio-economic imbalances that were created and age forwarded to those who were left without a job, with the closure of unproductive economic structures.

This has required the creation of an institutional framework of their legislation, at the same time adapted to international practices, on which to protect the unemployed, thereby constituting employment policies that include both active measures and passive. It was also established by law, unemployment fund, necessary social security fund, the income from these funds in most of the contributions of employers and employees, and deficit financing being borne by the public budget.

In Romania, this system was introduced in 1991, the main regulatory liability policy conditions for unemployment benefits which requires the person to be served at least one year or in some cases at least six months in the last 12 months preceding date of registration, not to fulfill the retirement, to have a given area of land, not realize taxable income and be able to work.

Also unemployment benefit payment may cease before the expiry of 9 months (maximum duration of unemployment aid) if unemployed unjustifiably refuse appropriate job training and his health. Also in the passive measures and the amount of this aid was regulated, differentiated by seniority and

salary unemployed, which calls for a 50% of salary for less than five years old, 55% for an age range between 5 and 15 years and 60% older than 15 years.

As can be seen from Table 1, passive policies in 1993, made provisions only for payment of unemployment benefits and support allowance [1]. Subsequently the structure of these expenses has changed, meaning that since 1994 have been introduced for regulatory, expenditure on payment of the professional integration of graduates for a form of education, while spending allowance payment there was no support, all as a result of legislative change.

Table 1 – The structure of active and passive measures costs in Romania

	1993	2008
Aggregate expenditure	17787900	138622468₇
Expenses passive measures	15782600	723360607
Of which:		
Weight in total expenditure	88,72%	52,18%
Unemployment benefit	11040000	634347612
Help employability		29712976
Support allowance	4742600	
Compensatory payments		59300019
Expenses active measures	2005300	662864080
Of which:		
Weight in total expenditure	11,28%	47,82%
Trainig	110800	27468059
Payment graduates	92300	56565971
Payments to foster:	graduates	3558704
	unemployed to undertake before the expiration of unemployment	14402498
	labor mobility	6481252
	employers hiring unemployed disadvantaged category	101500373
	Combating social exclusion	15943897
Other expenses	1802200	436943326

Source: <http://www.insse.ro>, SOM102A and processing their own

Another change in the structure of expenditures passive measures was the introduction since 1997, spending on compensation payments to redundant employees from collective cocendierilor, chapter of expenditure is maintained today.

Before proceeding to analyze the value of spending on social protection should be noted that due to currency denomination in 2005 was necessary to transform the value of

expenditure in the years 1993, 1995 and 2000 of ROL in RON, the values recorded in the table 5.6 is expressed as long as RON, transformation necessary for a clear picture of development spending on passive measures and active.

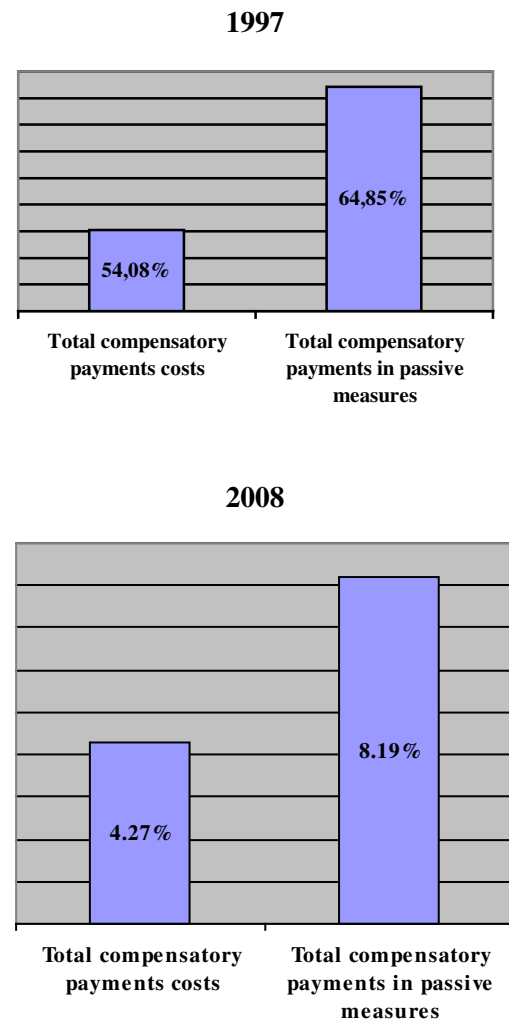
It is noted that the entire analyzed period is characterized by passive measures the share of spending, even though in 1993 they accounted for 88.72% of total social protection expenditure and at the end of 2008 only 52.18%.

Passive the policies with all the attractiveness and popularity enjoyed by certain categories of people, does not contribute to increasing the employment rate. For example maintenance support allowance in the period 1993-2004, led to the discouragement of the unemployed from seeking work or to return to work, be content with low income provided by the state for 18 months without May be they need to make any effort to obtain it. As shown, the support allowance spending is increasing, thus emphasizing the tendency of dependence on the state aid, which is why since 2005, this form of social protection was repealed.

Another aspect of passive measures to be reported is related to the introduction of compensatory payments in 1997, provided as a welfare measure. Paying them in a single payment we can unbalance the budget for social welfare, unemployed receiving amounts exceeding wages previously had much redundancy.

Figure 1 shows that the share of total compensation costs for social protection expenditure decreased by 49.81 percent in 2008 compared to 1997, also share in total expenditure passive measures showed a reduction of 56.66 percent. Financial support through these compensation was misunderstood and had no stimulating character, to determine the behavior of unemployed actively seeking focused on work.

Figure 1 – Expenses for of compensation payments in Romania



Source: <http://www.insse.ro>, SOM102A

With the labor market did not work very well, active measures must play an important role in the eradication of unemployment, but at first set of measures used in national assets was very limited, consisting only of qualification and retraining of the workforce, grants to employers for employment of graduates and nederminată term loans for SMEs, which should create new jobs.

Viewed as a whole can be said that expenditure on active policies have had an upward trend due to increasing understanding of the importance of these measures in reducing unemployment and later as a result of national employment policy alignment to EU objectives.

Training unemployed regarded as one of the roots in key active measures to combat unemployment, has been since the beginning of 1991, the attention of Labour and Social Protection Departments were concerned with organization and retraining courses for people seeking job.

The number of unemployed included in training courses has gradually increased until 2000, after which there is an involution of them, which is maintained until the end of 2008, as results from the statistical data recorded in Table 2. Not the same can be said about the training participation rate of persons seeking employment, increasing 11.01 percent in the period analyzed [2] [3].

The explanation stems from the fact that by 2000 the absolute number of unemployed increased, which resulted in the same direction and movement of the unemployed enrolled in courses. After this year due to lower total number of unemployed and the number of people participating in training programs has decreased, but their share has increased.

Table 2 – Efficiency of training the unemployed in Romania

	1991	2008
Total unemployed	337440	403441
Total unemployed enrolled in courses	12758	59703
Rate of participation in courses	3,78%	14,79%
Unemployed who graduated	3663	44490
Graduation Rate	28,71%	74,51%
Unemployed who were employed after graduation	1265	8924
Employment rate	34,53%	20,05%
Success rate	0,37%	2,21%

Source: <http://www.insse.ro>, SOM101B, SOM104A and processing their own

It should be noted that:

- The category of total unemployed, the unemployed are included indemnify and unpaid unemployed, registered at the end of the record of the National Agency for Employment

- The rate of participation in class = (Total unemployed enrolled in courses: Total unemployed) * 100

- Graduation rate = (unemployed who graduated: Total unemployed enrolled in courses) * 100

- Employment rate = (unemployed who were employed after graduation: Unemployed who graduated) * 100

- Success rate = (unemployed who were employed after graduation: Total unemployed) * 100

The explanation stems from the fact that by 2000 the absolute number of unemployed increased, which resulted in the same direction and movement of the unemployed enrolled in courses. After this year due to lower total number of unemployed and the number of people participating in training programs has decreased, but their share has increased.

In terms of efficiency as such active organization can say that overall it shows a downward trend (in 2008 only 20.05% of people enrolled in a training program were employed after completion of a course, compared to 34.53% in 1991).

Even if the absolute value people who were employed after completion of a training program shows an upward trend, dissonance is created by variations in the number of unemployed who have completed a course.

Training success is evident through this measure in 1991 and 1265 people have committed, or 0.37% of the total number of unemployed registered at the national level, compared to 2.21% how many were registered at the end of 2008.

With the creation of the employment policies in 1991 were included and other active measures such as the payment graduates representing employers subsidies for indefinite employment of different categories of graduates and other categories of expenses that include loans to businesses SMEs to create new jobs.

4. Opinion

If in 1993, passive policies incur costs only for payment of unemployment benefits and support allowance, then, were introduced under existing legislation and regulations for payment of the expenses for the professional integration of forms of education graduates, as well as for payment of support allowance while there were no, all as a result of legislative change. Later in 1997, were

introduced compensatory payments for dismissed employees from collective redundancies.

In the beginning, that with the advent Legi11/1991 set of measures used in national assets was very limited, consisting only of training and retraining services, labor, employment subsidies to employers for graduates and nedeterminată term loans offered SMEs, which should create new jobs.

The number of unemployed included in training courses has gradually increased until 2000, after which there is an involution of them, which is maintained until the end of 2008. The overall training success is evident through this measure in 1991 and 1265 were committed by people or 0.37% of the total number of unemployed registered at the national level, compared to 2.21% at end 2008.

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Results of Active Employment Measures in the Employment of Romanian Space

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Abstract

Active employment The policies are those that involve a mix of measures, methods, processes and tools with which it aims to increase employment levels, the development of coherent systems of active measures at national and local solutions and to maintain unemployment levels acceptable. They include measures to encourage increased mobility of the active population and the creation of new jobs based on investment. Such measures are offensive and promotes adaptation to the requirements of the working population available vacancies.

Key words: adjustment employment policies, stimulate employment, diversification measures
J.E.L. classification: J68

1. Introduction

Of active policy measures are most relevant: improving the content of education at all levels, improve educational and vocational guidance of youth, while correlating the re-qualification requirements and labor, stimulate the mobility of assets to new jobs; information, mediation and placement, subsidized employment for certain categories of unemployed, facilities for both employers and employees, stimulate free initiative of the unemployed by providing loans, investments that enhance economic fundamental act that generates the greatest capacity to create jobs.

2. Subsidies to various forms of education graduates

With the creation of the employment policies in 1991, included a series of active measures such as the payment graduates representing employers subsidies for indefinite employment of different categories of graduates and other categories of expenses include loans small and medium enterprises to create new jobs.

Table 1 – Dynamics expenses incurred by active measures in Romania

	1993	2008
Aggregate expenditure	17787900	138622468
Expenses active measures	2005300	662864080
Of which:		
Payment graduates	92300	56565971
Weight in active spending measures	4,6%	8,53%
Weight in total expenditure	0,52%	4,08%
Other expenses	1802200	436943326

Source: <http://www.insse.ro>, SOM102A and processing their own

Due to unavailability of statistical data regarding the effectiveness of active measures embodied in the number of persons employed on the basis of these measures, we analyze the evolution from data given in Table 1, because the share of these categories of expenditure, total spending on active measures, and total spending on social protection, even if the amounts of these subsidies have suffered major over time.

Values in this table confirms the concerns in terms of job creation and employment of certain categories of unemployed, in a proportion as high.

Employment of graduates of vocational education, secondary and university, was from the beginning of a priority employment policies, as confirmed by rising costs made by this measure [1].

If in 1993, subsidies to employers to indefinitely classification of certain categories of persons seeking employment, accounted for 4.6% of the total active measures at the end of 2008, these expenses were 4, 08% of the total amount provided for employment policy.

3. Loans to employers for the creation of new jobs

Lending activity to create new jobs, either for development of existing businesses or create new businesses know the value terms increased significantly. Evolution of the number of jobs created by this measure is difficult to establish only after the expenditure, due to the fact that although these loans are granted in proportion to the number of new jobs created, interest expense shall be paid all in this chapter costs, they vary depending on the annual average recorded in the county, reported the national annual average. Also credits can cover 75% of certain costs incurred by the employer, but can climb to 90%, when creating an enterprise takes place at the initiative of the unemployed.

The three categories of active measures and specific vocational training, shown in previous work, graduate employment subsidies and loans offered to create new jobs, were the only active policies to stimulate the employment, pending the Law 76/2002 the unemployment insurance system and employment stimulation, the law that repealed the regulations under the Act nr.1/1991 on social protection of unemployed and their professional reintegration, with all subsequent amendments.

New legislation retained the three types of active measures, even if modified some conditions regarding the rights and obligations of persons benefiting from these active measures, but especially emphasized the role of these measures for increasing employment work. Today and regulations stipulated by Law 76/2002, amended and supplemented by other regulations, as a

permanent necessity of adapting legislation to new requirements arising in the labor market in Romania.

The new active measures stimulate employers to staff employed unemployed, but stimulates and persons seeking employment to fall before the period for which they are entitled to unemployment benefits.

Thus as can be seen from Table 2 and 3, active employment policies have seen a large expansion, both in terms of their diversity and in terms of their effectiveness, reflected in the reduction of a large number of unemployed.

Table 2 - Effectiveness of active measures in Romania

	2004	2009
Total people employed by active measures	548932	304588
The average number of unemployed	607191	572973
Number of unemployed by 31 December	557892	709383

Source: <http://www.mmuncii.ro>, Statistical Bulletin no.49, 69

Active measures taken have reduced the number of unemployed in the period 2006-2008, an amount exceeded the number of unemployed at the end of the existing and that of the average number of unemployed registered in that year, as seen from table 2. Do not exit the same situation in 2004, the number of persons in active measures, was surpassed by the number of unemployed [2] [3].

In 2009, economic and financial crisis have contributed to an increase of 75.83 percentage points of unemployment compared to 2008. Amid the large number of unemployed and economic circumstances exist in Romania, employment policies have contributed to the absorption of a number of 304,588 persons, 108,334 less than in 2008. Decrease from year to year the number of people employed, employment policies do not reflect inefficiency, this was due to either decrease the number of unemployed in the period 2006-2008, or inability of the national economy in 2009, to provide more jobs.

It should be borne in mind that lack of these concerns may have contributed to 98% increase in the number of unemployed in 2004 and by 43% in 2009.

As can be seen from Table 3, active measures have contributed at a rate higher or lower, increasing the employment rate to the success of obtaining a job. Before starting the brief presentation of active measures should be noted that the employment of a person may be the result of two or more active measures, so that the amount of active measures does not coincide with the total employed persons.

4. Labor mediating

Active measures with the highest contribution to the employment of a person, labor mediation, refer to the individual coaching of people looking for a job, regardless of their state labor market so that they can find work their background or to have still another active measure leading to the same result. Labor mediation techniques have been developed and continuously improved by introducing new methods of conducting an interview, by developing the action plan for the person seeking employment, issues that have contributed to employment in 2009 of a percentage of 78.78 persons, more than in 2004 with 19.75 points.

5. Professional counseling

Information and professional counseling, initiated and developed after 2006, knowing the same success as the previous measure. This measure helps assess the applicant's personality and self-evaluation in terms of professional orientation, develop confidence in learning and improving techniques for finding a job, as confirmed by the growing success of this measure, in terms employment. Thus in 2009, it accounts for 17.62% of total persons employed, compared to 4.06%, as was recorded in 2006.

Concerns about employment policies for the organization of training programs that assist people seeking employment, taking into account any future time or labor market, helped by hiring a number of 15 222 people in 2009, up to 3779 people in 2004.

6. Stimulation enrollment unemployed before the expiration of unemployment and labor mobility

Stimulation enrollment unemployed before the expiration of unemployment and stimulate labor mobility have seen a downward trend.

30% of unemployment benefits received in each month until the end of the period for which it was entitled to the allowance primescă respectively equal to the first frame of two minimum salaries in the country, received by people who engage in a distance of 50 km from home, showed a growing interest for unemployed low in Romania, emphasizing the idea that in some cases passive measures can lead to lack of interest of unemployed also seek work or to return to work.

Table 3 – The contribution of active measures to reduce unemployment in Romania

Total people employed Of which by:	2004	%	2009	%
Mediation	324054	59,03	239958	78,78
Information and counseling			53683	17,62
Training	11443	2,08	15222	4,99
Stimulation of unemployment to employment before the expiry of the unemployed	85704	15,61	21036	6,9
Stimulate employers employment of certain categories of people Of which:	48138	8,76	8497	2,78
<i>Persoane peste 45 ani sau întreținători unici</i>	25781	4,69	4740	1,55
<i>Individuals have three years until retirement</i>	420	0,07	58	0,01
<i>graduates</i>	21634	3,94	3605	1,18
<i>Persons with disabilities</i>	303	0,05	94	0,03
Stimulation of labor mobility	5774	1,05	2233	0,73
Creating jobs through loans	6830	1,24		
Advice for starting a business	1596	0,29	869	0,28
Public works of interest	62113	11,31	21982	7,21
Solidarity contracts concluded under the law 116/2002	2451	0,44	710	0,23
Other active measures	829	0,15	668	0,21

Source: <http://www.mmuncii.ro>, Statistical Bulletin no.49, 69 and own processing

Thus in 2004, employment before the expiry of unemployment has stimulated a number of 85,704 unemployed, compared to only 21,036 unemployed were assigned early, in 2009, while labor mobility contributed in 2009, to fill a number of 2233 people, compared to 5774 recorded in 2004.

7. Stimulate employers

And encourage their employers regarding employment of disadvantaged people showed interest in decreasing both overall and on each measure. If in 2004 the employment rate of 8.76, representing a total of 48,138 people were employed as a result of this measure in 2009, the number of markers attributable to this measure fell by 39,641 people.

Stimulate employers regarding employment subsidies for employment of certain categories of unemployed, differ from the measure as follows: employment of persons aged 45 years or maintained single family and employment of disabled persons, grants employer for one year, a minimum wage exemption security contributions and unemployment, provided that the employment contract for two years, employment of persons who have three years until retirement, the employer a minimum gross salary per economy for three years, without being exempt from the contribution to fund unemployment, employment of graduates exempt employer contribution to fund unemployment payments for a period of one year for each graduate received, depending on the type of education graduated equivalent of 1, 1.2 or 1.5 minimum gross wages in the economy, provided that the employment contract for a period of at least three years.

Loans with interest subsidy granted to create new jobs in manufacturing, services and tourism registered a downward trend, although in 2006, for each employment rate increased from 7.500 to 10,000 Ron.

If in 2004, were created at national level jobs 6830, following the development of existing activities or engaging in business due to the unemployed, those sectors, in 2009, this measure helped to create any jobs.

8. Advice for starting a business

Closely related to the extent of credit, while seen as a complement to this activity, is a consultant to start a business, provided people looking for a job as legal services, marketing, financial, efficient methods or techniques management.

As lending, advice for starting a business knows the same downward trend, but until 2009, when economic and financial crisis amid a growing number of people remain without a job and a business would be for some of them a possible alternative.

This has led to the creation in 2009 of a number of jobs increased by 276, compared to 2008 while the share of total marker present and in 2009 the same level of 0.29% registered in 2004, even if during this period are recorded certain oscillations.

9. Public works of interest

Work done in the interest of the community, embodied in the restoration and maintenance services of infrastructure, sanitation and public utility execute works, provide employers, local authorities, private companies or governmental associations with local public opinion, subsidized employment rate of 70%, or 100%, depending on the year in which they engage these people, 1 April to 31 October, that November 1 to March 31. However, in 2009 only 21,982 people were employed, down 40,131 from 2004, this measure also share in the total number of admission records from year to year a continuous decrease. In addition to these works and public services for the community, the unemployed can be employed in the provision of social services provide care domiciliu of certain categories of people such as children, the sick, elderly, disabled.

10. Contracts concluded under Law 116/2002 solidarity

Solidarity contracts concluded under Law 116/2002, providing for the insertion or reinsertion of some categories of young people aged up to 35 years who are at risk of marginalization and social exclusion; category they belong to young people from orphanages or detention, young single or

married with dependent children, other categories of disadvantaged young people. This measure of growth of employment opportunities has helped even in the year 2009, a total of 710 persons having a job, which represents 28.96% of the marker due to this measure in 2004.

11. Other active measures

Adapting permanent employment policies in the labor market has made since 2007, to introduce another active measure to increase employment, which provides for an amount equal to half the gross minimum wage in the economy, the employer within individuals among students or students who wish to work during the holidays.

he lower activity of enterprises, as a result of economic and social crisis manifested in Romania, contributed to lower employment, increase of unemployment and lower employment.

This unfavorable circumstances led to the development and implementation of new active measures and programs [4], which provide employment to 4,000 people in some rural areas, which recorded a low level of economic development by creating *Program 155, especially for 155 cities in rural areas*, employment of 4,800 people in urban areas affected by increases in the number of unemployed by *Program 25, especially for 25 urban villages*, employment of a number of Roma people by 3115, *Program 150, especially for communities with the number than Roma*, in addition to these programs, active measures were presented continues to contribute to reducing unemployment levels possible.

12. Opinion

Overall active measures to stimulate the employment, led to the classification of a decreasing number of people, either because there is a small number of unemployed, either because of economic crisis, manifested by inability to absorb the labor market a number higher labor, a reduction in vacancies.

However, we can say that active employment policies of the labor force are more effective than passive watching mere

payment of unemployment benefits, not only because of the high cost of the latter, but also because active policies to combat unemployment and encourage the development builds competence and competitiveness in the labor market.

Employment of graduates of vocational education, secondary and university from the beginning was a priority of employment policies. If in 1993, subsidies to employers to indefinitely classification of certain categories of persons seeking employment, accounted for 4.6% of the total active measures at the end of 2008, these expenses were 4, 08% of the total amount provided for employment policy. Active employment The policies have seen a large expansion, both in terms of their diversity and on their effectiveness, with the entry into force of Law 76/2002, developed as a permanent necessity of adapting legislation to new requirements arising on labor market in Romania.

Labor mediation, active measure with the highest contribution to the employment of a person contributed to employment in 2009 to 78.78 percent of a person, more than in 2004 with 19.75 points.

Information and professional counseling, initiated and developed after 2006, knowing the same success. Thus in 2009, it accounts for 17.62% of total persons employed, compared to 4.06%, as was recorded in 2006.

Stimulation enrollment unemployed before the expiration of unemployment and stimulate labor mobility, it proved equally effective. Thus in 2004, employment before the expiry of unemployment has stimulated a number of 85,704 unemployed, compared to only 21,036 unemployed were assigned early, in 2009, while labor mobility contributed in 2009, to fill a number of 2233 people, compared to 5774 recorded in 2004.

Loans with interest subsidy granted to create new jobs in manufacturing, services and tourism have been a downtrend in 2004, was created in 6830 at national level jobs as a result of development activities already existing business following the initiation of the unemployed, compared to 2009 when this measure has not contributed to any job.

Advice for starting a business, provided people looking for a job as legal services, marketing, financial, led to the creation in 2009 of a number of jobs increased by 276,

to 2008, while the share of total markers have the same level in 2009 to 0.29%, recorded in 2004.

Work done in the interest of the community, embodied in the restoration and maintenance services of infrastructure, sanitation and public utility execute works, records from year to year a continuous decrease in 2009 was employed only 21,982 people, down 40,131 from the 2004.

Solidarity contracts concluded under Law 116/2002, providing for the insertion or reinsertion of some categories of young people aged up to 35 years who are at risk of marginalization and social exclusion, even in conditions of 2009 contributed to the classification of a number of 710 persons.

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Distribution Strategies in the European Space

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Abstract

The distribution of goods in the urban areas has experienced significant growth in recent years due to both of their spatial extension, but also generated activities and n diversifying urban population demands on the types of products sold. This led to increases in freight applications, with effects on the urban environment.

Key words: distribution, goods, urban, strategies

J.E.L. classification: O10

1. Introduction

Distribution of goods is a highly debated topic, especially in recent decades. Origins of efficient distribution of goods and its concerns, however, is identified with the advent of the first forms of marketing. The importance of this topic derives from its complexity, a process with a heterogeneous structure and diversity of participants. Its complexity is due to the broad scope of activities involved, interference of a large number of problems associated with the large number of restrictions, but perhaps most importantly, it is determined the need to obtain solutions that provide the most effective response to buyers' requirements.

One of the most important influences on customer service has distribution policy, which aims to ensure consistency of decisions on product, price, promotion and placement, by choosing the appropriate manner of distribution. Physical distribution is the term used for a wide range of activities involved in moving from production sites to

final delivery points, including moving and handling functions of supplies or transportation, packaging, storage, physical transfer between transport modes. Distribution system evolves dynamically as a result of technical innovations, the new information and communication technologies and developments in the field of financial flows. One effective strategy in response to buyers requirements, optimizing physical distribution is key[1]. It is not sufficient for a product to offer the highest parameters in terms of quality or to meet the standards required by customers in terms of product utility. To meet customer requirements is necessary to take into account aspects of spatial and temporal utility, crucial quality characteristic distribution of goods.

Thus, physical distribution can be considered multidimensional construction, can be defined as a set of interrelated activities offered by a supplier, creating time and space utility and providing useful form. Physical distribution process is thus derived from customer requirements on time and place of delivery. Moreover, one can identify quantitative and qualitative performance indicators in relation to delivery requirements for each component of the distribution process. Global optimization process provides distribution, but the best solution, which means that the total efficiency is accepted lower performance of individual components work. Based on the ability of customer information on order characteristics, and mode of delivery intervals, continuing with the optimization of transport, handling, storage, selection strategy urgent deliveries, minimizing the number of errors on the performance of orders, all this is in approach targets related to the adoption of a strategy to respond to consumer demands. On the other

hand, in adopting a strategy of serving customers in the distribution of goods can not ignore the fact that some customers and some products are more profitable than others, so therefore will maintain the highest levels of service combinations of the most profitable customer - product.

2. Peculiarities in the distribution of urban goods

Distribution of goods in large urban agglomerations is a highly complex process induced by space restrictions determined by the city. Urban distribution environment is characterized by striking dissociation between the more residential areas, workplaces and shopping areas, geography flows are determined by differences in the routes, the polarization commercial areas. Approach in analyzing and optimizing the distribution of goods it is necessary to consider the elements of economics and urban, large urban areas is not only a consequence of demographic developments, but also economic activities. Integration of distribution networks of goods in urban areas means relative to the transport problems in terms of traffic restrictions and interactions with public and private transport people and equipment to existing urban infrastructure. Optimize urban distribution of goods requires the acquisition procedures for distribution of goods to final delivery points in a way that minimizes the total cost of distribution.

Although urban physical distribution system components do not differ from those outside the urban area, a number of differences regarding the characteristics can be identified in conurbations. In this sense, the most affected part of the distribution system is the transport of goods. Differentiation occurs in the transport of goods in urban areas to suburban freight is determined by high traffic and limited infrastructure of urban areas.

Limitations relative to the type, technical characteristics, capacity, vehicle emission to require a physical transfer of goods between modes of transport or vehicles belonging to the same mode of transport, but of different sizes and characteristics[2]. Such a transfer may be perceived as disadvantageous consumption causing additional financial

resources, additional time, generating a number of additional risks. There are also ways to reduce these disadvantages by using standardized cargo units and transshipment process automation. Distribution of goods in urban areas is associated with a series of failures that reduce the efficiency of distribution: extended delivery times due to traffic congestion and access to points of delivery, failure to deliver goods vehicles to be within the predetermined time intervals because of the situation emergency (traffic congestion, damage).

In addition, it is necessary to take into account a number of problems associated with distribution of goods such as uncertainty of different parameters (eg urgent requests for goods), the need for urban vehicles to avoid empty return flights, ensuring a coefficient correlation as high load and transport plans for distribution of products returned collection needs.

The process of distribution of goods has been a long time an important goal in optimization problems. Between the first linear programming solutions were found applications in transportation planning and design of deposit[2]. Later optimizations have been used to solve network design and routing problems later for the fleet.

For distribution in urban areas, specialized firms need continuous and updated information on distribution processes to meet their customers' needs quickly and to solve arising in distribution. For example, the navigation system offers a choice of freight route, avoiding traffic congestion. Geographic information systems provide for the creation of visual responses to the problems of space, allowing overlapping information from

- different sources. GIS makes it possible, for example, a distributor interested in the location of a distribution center, so reducing transport costs and local market and spatial
- distribution of activities, simultaneous display of these different types of information. Mobile telephony, the implementation of geographic information
- systems, the GPS in the development of applications in urban distribution of goods[3]. Tracking vehicles, addresses and identifying their characteristics, transmission and distribution process

analysis, tracing the flows of goods, spatial analysis related to physical distribution networks of goods, management of freight vehicles travel streets with traffic congestion, reducing delays in deliveries freight fleet management are some of the immediate benefits of introducing new information technologies in urban distribution of goods.

They also allow determination of optimal routes, identify the nearest vehicle to a collection point or delivery, animated graphic possibilities parcourse for vehicles to determine time of arrival at various points down.

Significant reductions in transport costs and hence in distribution costs can be measured using a specialized program for dynamic routing and scheduling vehicles, taking into account elements such as rolling speed, optimal order size and the shortest routes and the fastest the delivery of goods. The use of such software allows also to obtain routes that minimize transport time restrictions under delivery time periods relative to the hours of operation and distribution centers.

Urban logistics strategies, possible solution to optimize the distribution of goods Urban freight distribution system with its essential component, freight, causes air pollution and noise, congestion affects traffic safety.

On the other hand, the urban structure and action by local communities to limit the negative effects pose problems of accessibility and efficiency of transport logistics system of goods. Limitations caused by urban space can generate increased transport time, using an expanded fleet and delays in delivery times. One way to address these problems is to implement a new distribution system that allows efficient distribution of goods both commercially and in terms of urban community.

In this respect, an important urban logistics is defined as the global optimization of logistics and transport activities by private companies in urban areas, by considering the social, environmental, economic, financial and energy of urban movement of goods.

There is a wide range of solutions that can be adopted, such as: relocation premises sale, distribution centers, the use of low emission vehicles and adapted to urban traffic. Most of

the measures taken relate to the physical characteristics of vehicles and distribution of access time windows in urban areas.

White Paper on European transport policy aims in international projects on urban logistics organization, development of urban freight logistics platforms. From studies in urban logistics it was found that large cargo platforms on the outskirts of cities have an impact on urban traffic when connected to terminals smaller urban areas. Urban terminals reduce distances traveled by vehicles in urban areas and thus distribution urban traffic, and at the same time, increase the efficiency of urban deliveries by clustering capabilities by destination of goods or delivery areas. On the other hand, urban access restrictions high capacity vehicles generate a negative impact on urban traffic by redistributing the load on a large number of relatively small vehicles. Urban Logistics can also rely on underground logistic systems. Such a system allows movement through a network of underground electric driven vehicles from a logistic terminal located on the edge of urban areas to final delivery points or a transshipment center, located in urban areas, from delivery to recipients can be made by road transport, surface[4]. Version involves underground transport projects for the new metropolitan urban logistic system designed entirely to meet the urban distribution of goods. Importance of reducing emissions in urban areas caused by urban transport solutions for goods to avoid these inconveniences. Tram for public urban transport of persons, can be used for particular times of low passenger traffic, freight transport. Infrastructure dedicated to travelers can be used with little additional investment goods. There is already such an urban logistics system: CargoTram in Dresden. Such a system requires the existence of load - discharge of electric vehicles used for delivery of goods in urban centers.

In order to solve environmental problems, the relative traffic congestion in urban transport, the solution could be the design of urban travel plans, to establish certain principles of organizing the transport of goods and people, that the movement and parking of vehicles in space urban. A travel plan aimed at solving problems related to urban goods delivery by regulating

access of goods vehicles in urban areas, delivery scheduling, sizes and weights of vehicles with access in urban areas, taking into account infrastructure requirements, necessary facilities achieve the optimal conditions of supply, to reduce traffic congestion and parking areas and duration. This plan proposes a tailored solution using existing logistical infrastructure and determine the location of future logistics infrastructure in a multimodal perspective.

In urban travel plans is concerned the action of public bodies involved in the harmonization between the participants involved in urban transport, taking into account the main generators of goods: logistics platforms, industrial areas, commercial areas peripherals. The complexity of management problems arising from urban area, may make it difficult to develop public-private partnerships. In the narrow sense, this term refers to dividing expenses, profit, loss between the two parties involved. But often used broadly, it involves dissemination of information and communication, cooperation and collaborative work.

Application of public private partnerships in urban goods distribution management issues aimed at urban transport vehicles with low emissions, and use of urban transshipment assembly centers, intermodal centers, reduce congestion, use of intelligent transport systems[5]. These types of partnerships offer significant reductions in the number of vehicles - km and the number of vehicles and have been successfully developed in countries like Germany and Switzerland. All these measures for urban logistics strategies that result in streamlining urban traffic, with direct effects on reducing transport costs and hence of the distribution. They also reduces transport time, delivery intervals, with positive consequences in the strategy of serving customers.

3. Conclusions

Urban logistics opens the prospect of a new phase in the evolution of transmission and distribution of goods through the establishment of new types of cooperation between logistics and channel links in the business of delivering goods in urban areas.

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The Cultural Conditioning of Goods and Services Consumption

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Abstract

Value is commonly associated with utility preferences that are located at the individual level. When looking at economic behavior, the focus is on individuals and the rest can be studied by looking at groups and social relations. From this point of view, the concept of value starts making more sense because it incorporates the question of why people value things. A person's preferences are based on his view of the world and beliefs about how best to act. Nobody creates these views by himself. Coming to grips with the field of cultural production, David Throsby hypothesizes that "the economic is individual, the cultural is collective."

The purpose of this paper is to contribute to understand the differences between of the Homo economicus and Homo culturalis behavior by considering the role of the economic and cultural values, cultural diversity, impact of international integration on local cultural dynamics and cultural identities.

Key words: cultural values, economic consumption, Homo culturalis, Homo oeconomicus

J.E.L. classification: A12, B40, P40

1. Introduction

Starting from the basic assumption of economics that people are generally rational, *homo economicus* of the classical theory is the personification of the principles of the businessman. The businessman wants to conduct every business with the highest possible profit: he wants to buy as cheaply as possible and sell as dearly as possible. By means of diligence and attention to business he strives to eliminate all sources of error so that the results of his action are not prejudiced by ignorance, neglectfulness,

mistakes, and the like. For standard "homo economicus" agents, the cultural good does not produce any additional benefit than pure materialistic private value and consumption is therefore solely determined by a market price comparison with other close economic substitutes. "*Homo culturalis*" agents are however ready to pay a premium for the cultural good attached to their cultural group externality.

2. From recognizable values to one dimension: Homo oeconomicus

There are different taxonomies of values. Hofstede divide values into the desirable and the desired. Yet other authors classify values into global values, domain-specific values, and evaluations of product attributes. Global values are the most centrally held, while attribute evaluations are the least central and are situation specific. Hofstede's landmark study of the dimensions of culture can be considered, an etic approach to the study of cultural values.. Hofstede's study revealed four dimensions of culture: power distance, uncertainty avoidance, individualism, and masculinity. (Hofstede, 1980) Values seem to be the manifestation of culture most often studied by researchers, which confirms that values are a central construct in an individual's cultural identity. In other words, values may be the most important of the four manifestations of culture (Hofstede, 1997), and can be used effectively to distinguish one culture from another.

Classical economists find value to be determined in production, that is, in the workshop or the factory, not the market place. Since most of the costs of production can be reduced to labor, this approach is refined into the labor theory of value. Ricardo explicitly excepts goods, like rare paintings, whose price depends solely on their scarcity, from the general principles of value determination through labor time.

They recognize that the usefulness or use-value of a commodity is a precondition for its having exchange value, but also point out that the overall usefulness of commodities had no correlation with their value.

Neoclassical economists view value in terms of the relation between costs of production and subjective elements, called supply and demand. They emphasize that prices also depend upon the level of demand, which in turn depends upon the amount of consumer satisfaction provided by goods and services. The neoclassical theory of value, therefore, is a neoclassical theory of supply-and-demand behavior. For neoclassical economics, the value of a commodity is determined only by its subjective scarcity, that is, the degree to which people's desire for that a commodity exceeds its availability. It is the marginal theory of value or subjective theory of value. Typically, the neoclassical answer to these value questions involves the specification and use of what might be called market analysis. Markets are considered locations or sites where values are determined.

Because of the commitment to the ideal of the market, neoclassical theory is unlikely to be able to take on board this critique since it challenges the most important building block of the theory, namely *homo economicus*. The central issue here is that norms, and values, do not just help us to carry out better the goals which we already adhere to, they also determine the kind of people we are or want to become. They will, to give just one trivial example, determine whether we avoid joining a pressure group because we calculate that while our contribution to the cause will be slight the cost is not, or whether, on the contrary, we join because that is the kind of person – with certain specific values – that we are or aspire to become. Norms provide the context of rationality in part because they influence both means and ends.

The present capitalist model is built on the logic of mostly quantitative economic growth, and in the fact that the rise of capitalism was indeed associated with a growing impersonality of economic transactions.

What becomes clear is that, at its core, the dispute over what ails the modern market economy (and what ought to be done to address it) turns on our understanding of

human nature. (Wilson, 1993) And the prevailing modern understanding (at least within the context of economic thinking) is that human beings are little more than rational wealth-maximizers. It is assumed that *Homo economicus*—"economic man"—populates the roles of consumer, entrepreneur, stockholder, employee, director, and officer in our modern economy. *Homo economicus* "is cold and calculating, worries only about himself, and pursues whatever course brings him the greatest material advantage." *Homo economicus* is a single-minded, wealth-maximizing automaton, who does not take into account "morality, ethics, or other people." (Stout, 2008) Not surprisingly, subscribing to the *Homo economicus* model of humankind leads to characterizing problems and framing solutions in economic terms of benefits and costs, incentives and disincentives. (Kapur, 1999).

Many have doubted the existence of *Homo economicus*, challenging whether the evidence of actual human behavior fits the theoretical model. (Stout, 2003). And, if *Homo economicus* does indeed exist, some have argued that he is to blame for what ails contemporary capitalism. (Barry, 2001)

3. Is 'Homo economicus' a dead concept?

In general, the analytical approach defines the basic agent of economic action in terms of a *homo economicus* understanding of human nature – that the individual is a self-interested actor, competitive in nature, who undertakes to achieve the rational maximization of personal utility.

The first characterization of economic behavior came with John Stuart Mill's creation of *homo economicus*, a man restricted in his emotional range solely to economic motivations. In his *On the Definition of Political Economy*, Mill defines science of economics as follows: "The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object".

Since Mill confines the subject of political economy to those affairs or phenomena which are most relevant to the desire of wealth, it is reasonable to assume that human beings will try to maximize their wealth. However, with respect to those human actions of which neither wealth nor self-interest is the principal object, the assumption of economic man will not be true even in the abstract. From this point of view, it is reasonable to suggest that Mill would not agree with Gary Becker on expanding the sphere of economics into all areas of life, such as the family.

Mill's characterization of homo economicus is an "abstraction" from whole man (Mary S. Morgan, 1996). This abstraction is necessary to Mill, for only by delimiting the scope of the subject domain of economics can anything specific be said of economic behavior. The notion of homo economicus was specifically introduced to make the science of economics possible, by defining the science of economics as a separate science, and to create a character like homo economicus in order to promote the scientific method in economics. Therefore, when the principles of political economy are to be applied to a particular case, it is necessary to take into account all the causes which counteract the desire of wealth and all the individual circumstances of that case.

His *Principles of Political Economy with Some of Their Applications to Social Philosophy* can be deemed as a result of this necessity. In the preface of the first edition of the *Principles* published in 1848, Mill points out: "For practical purpose, Political Economy is inseparably intertwined with many other branches of social philosophy. Except on matters of mere detail, there are perhaps no practical questions, even among those which approach nearest to the character of purely economical questions, which admit of being decided on economical premises alone (Mill, CW, II: xci)".

Mill believed that there is only one constant positive motivation, namely, a desire for wealth, accompanied by the only two "perpetual" impediments being "aversion to labour, and desire of present enjoyment of costly indulgences" (p 321). As is entirely appropriate for a "classical" economist, Mill's definition shows the contemporary concern

with production (not consumption as in twentieth century economics) and with wealth (not utility).

The principle of buying on the cheapest market comes into question here only in so far as the choice is between several possibilities, otherwise equal, of purchasing goods; but it cannot be understood, from this point of view, why someone buys the better suit even though the cheaper one has the same "objective" usefulness, or why more is generally spent than is necessary for the minimum—taken in the strictest sense of the term—necessary for bare physical subsistence. On the contrary, it could be said that with the scheme of the homo economicus classical economics comprehended only one side of man—the economic, materialistic side. On the other hand, it is not a pertinent observation in so far as it is understood as meaning that, according to classical economic theory, a person engaged in business always acts in the manner described. (Ludwig von Mises, 2003)

As for the neoclassical economic theory, most particular the Walrasian welfare economics, it is obvious that we find a dependence on the computable general equilibrium (CGE) superstructure that comes to support the economic analysis of market exchange (Gowdy and Iorgulescu Polimeni, 2005). The entire Walrasian welfare policy is supported by two theorems of Pareto optimality: the first, stating that Pareto optimality is implied by maximization of preferences under budget constraints and maximization of profits under given technology and the second, asserting that a Pareto optimum can be achieved as a competitive equilibrium with appropriate lump sum transfers (Lockwood, 1987; Mass-Colell et al., 1995; McKenzie, 1987). Starting from these two assumptions, the present leading research community is very preoccupied to question the notions of Homo economicus and perfect competition. But a CGE is impossible without taking into consideration the behavioral assumption describing Homo economicus and the biophysical assumptions describing perfect competition. Therefore, it is important, when describing the conditions for the existence of general equilibrium, to take into consideration the axioms of consumer choice, and to refer, as Arrow and Debreu (1954)

did, to individualistic behavior, rational expectations, the fact that all agents are price-takers and that there is no asymptotic information and to state the existence of a barter economy where we don't find the money as a mean of exchange.

Regarding Homo Economicus, we can find in contemporary economics two offset trends. First of all, we can observe that the recent behavioral economics, experimental economics and the game theory provided empirical evidence able to literary demolish the concept of rational choice in human decision-making. Secondly, we can also observe that scholars increasingly use the CGE models in order to propose economic policy recommendations that includes concepts as global climate change (Nordhaus, 1992, 2001), biodiversity protection (Weitzman, 1992, 1998) and the international trade (Bhagwati, 1979). At the same time the foundations of CGE are being discredited by credible research, its use as a policy tool continues to spread unabated (Gowdy and Iorgulescu Polimeni, 2005).

Welfare economics may have a role to play in describing economic behavior in a competitive but impersonal market. But it is inadequate as a general theory of the economic process (van den Bergh and Gowdy, 2003).

Therefore we may say that, when formulating economic policies, two very important ideas we should have in mind, related to our paper's subject: first of all, the human preference formation is a social process, and second, the economies are part of and co-evolve with the biophysical universe.

4. From Homo economicus to Homo culturalis

The individual is, not only economic, but also biological, social, cultural. Food, clothing, shelter, are, vital goods, but they are not the only aspects that define the quality of life. Observations of actual markets and people – especially recent research in behavioral economics, the cognitive sciences and neuro-economics – have unanimously documented: Human decision-making proceeds constantly outside the homo economicus-model, both below its logic (i.e. based upon non-rational impulses) and above

the same (i.e. driven by moral reasons superseding the conceptions of technical rationality within economics). The oft-lamented prognostic failures of the homo economicus-model are hence by no means incidental but instead indicative of its inadequacy to capture the contextualized richness, the internal complexity and especially the cognitive as well as cultural dimension of human economic agency.

For standard "homo economicus" agents, the cultural good does not produce any additional benefit than pure materialistic private value and consumption is therefore solely determined by a market price comparison with other close economic substitutes. "Homo culturalis" agents are however ready to pay a premium for the cultural good attached to their cultural group externality. A given cultural community size (ie. the fraction of "homo culturalis" agents) in society, will therefore determine an equilibrium allocation of resources through usual market clearing conditions.

Many years ago, Edgar Morin reopened in his *The Lost Paradigm: Human Nature*, the debate on the human nature, "the man is a cultural being by nature, because is a natural being by culture" (Marin, 1973). Announcing from the title of his book, the great lost paradigm is the human nature itself. E. Morin states that the human being is a synthesis, in two ways: as a result of nature, but also a creation of the culture.

Moreover, the newness of the cultural theories consists in explaining and understanding actions by reconstructing the symbolic structures of knowledge which enable and constrain the agents to interpret the world according to certain forms, cognitive structures or regular mental acts.

In his famous article, "The Globalization of Markets," Harvard professor Ted Levitt (Levitt, 1983) argued that new technology would lead to homogenization of consumer wants and needs because consumers would prefer standard products of high quality and low price to more customized high-priced products. Levitt's argument was based on the assumption that consumer behavior is rational and that consumers always want to maximize profit. The assumption of rationality is increasingly regarded as unrealistic and places consumers outside of a cultural context. (Süerdem, 1993).

The paradigm of economics is that consumers will maximize their own utility and will prefer low-priced, high-quality products to high-priced, added-value brands. This paradigm fits the old scarcity societies where people had to make either/or decisions, for example either a washing machine or holidays. In post-scarcity societies, people have more choices that make them less rational in their buying behavior. When comparing post-scarcity societies that have converged economically, one observes that national wealth is no longer a useful variable for explaining consumption differences. The new paradigm is culture, which becomes an increasingly important variable to explain consumption differences and brand preferences.

5. Conclusion

To understand culture's consequences for consumer behavior, culture must be integrated in the various aspects of consumer behavior theory. Ideally, theories of consumer behavior are developed within cultures, studying people's behavior within each nation. For comparing cultures, variables and constructs must be found that allow discovering how these cultures or groups of cultures are different from or similar to each other. Generally speaking, the older the product category, the stronger the influence of culture. This explains why consumption of food products is persistently culture bound. The wealthier countries become, the more manifest the influence of culture on consumption. When people possess more or less enough of everything, they will spend their incremental income on what most fits their value patterns.. With converging wealth, the influence of income on consumption decreases. Cultural values are the main variable to explain differences in consumer behavior.

Therefore, we can conclude by paraphrasing an old saying: "Homo economicus is dead! Long live Homo Culturalis!".

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International Crisis in the Context of Globalization and Money Laundering

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Abstract

Today, globalization and economic and financial crisis are the terms used to describe changes in society and the world economy. It is widely agreed that globalization has increased international trade and cultural exchanges, removing economic barriers. Increasing interdependence in international relations, besides positive aspects undoubtedly bring some negative aspects related to economy and security and public order. An economic and financial crisis that occurs in a country directly affects not only this country but the entire geographic region and even the world economy as a whole. Globalization in the current economic crisis will always lead to economic recession, lower loan rates, low budget world countries, the general economic downturn, which favors the growth of the underground economy and crime especially the phenomena of money laundering. Moreover, globalization has led to a border removal, which favored the cross-border organized crime. Today, organized crime, in various forms (trafficking of weapons, human beings, drugs, illegal immigration, money laundering) and terrorism are global threats and the actual economic and financial crisis tends to increase those phenomena having new forms and engaging new players on the world stage. Organized crime and money laundering in particular are not new phenomena. The novelty is the way of expansion, the magnitude of these phenomena and the way more people are involved in this system of organized crime.

Key words: Globalization, Crisis, Money Laundry, Criminality, Effects;

J.E.L. classification: K00

1. Introduction. Globalization and the present financial and economical crisis

The phenomenon of globalization has led to increased trade and investments, removed barriers and lead to increased economic interdependence, political, social, and military technology between countries of the world. The World Bank defines globalization as "the possibility and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries." I.M.F. defines globalization as "the increase in economic interdependence of countries worldwide through increasing volume and variety of goods and services transactions across borders, circulation of the international capital flows more freely and faster, but also a wider diffusion of technology. (IMF, World Economic Outlook, May 1997). Globalization has made international integration on several levels: economic, political, military and security. Globalization creates great opportunities and lead to progress in many areas. Financial markets and trade are the main beneficiaries of globalization, by intensifying unprecedented flows of goods and capital. Production of goods acquired unprecedented dimensions, especially as traditional economic barriers have been removed. Multinational companies gained specific corporate features having unprecedented dimensions. Technical progress, especially in communications and transport is more than obvious, especially that education gained international features unequivocally. Globalization is first an economical process and then political and cultural. This is not just the integration of the world's economies. Today it is changed dramatically the qualitative characteristics of these economies in elements of the same

system. It changed, in a way the notion of "national economy" itself. Now, the main economic element is the multinational corporation, which placed its factories, plants and other elements of production where labor cost is cheaper and taxes lower. Multinational corporations are producing where the costs are low and then are selling products where profit is greatest, without regard of frontiers of the world. Because of the current economic and financial crises world-wide, there is a deeper process of international division of labor and world markets are becoming increasingly complex. Financial markets are becoming increasingly dependent on each other, so one negative effect that affects one national banking system, affects in a way all the other banking systems. Increasing interdependence within international relations, besides positive aspects undoubtedly bring some negative aspects related to national security and public order. Deepening globalization increases the number of external factors that influence the working way of society and the stability of the economy. There are unfortunately a number of negative phenomena that globalization brings on the current international system:

- weakening of social cohesion, national sovereignty of states and the traditional system of values;
- increasing inequalities, both at national economies and international level;
- the increasing of nationalist and protectionist tendencies;
- change the classic hierarchy of values and issuing of new values;
- intensification of transnational organized crime, terrorism and organized crime.

Intensification of globalization led to increasing of the amount of the capital resulting from illegal activities. As a direct effect, it has intensified dramatically the number of the operators engaged in money laundering. This phenomenon occurs due to the necessity of recycling funds from organized crime activities and reintroduction of these funds in legal financial circuit.

2. Economical and financial crisis and money laundering

The general opinion of experts is that the current economic and financial crisis is originated in the United States. Investment Bank Bear Stearns and the Lehman Brothers Bank bankruptcy kicked off in terms of the credit market instability, increasing trade deficit and massive loss of stocks market. Preliminary globally losses are estimated at over 1,000 billion dollars. The world in 2011 is facing one of the biggest challenges: the second phase of the economical crisis. That's because the world's largest economy, the United States of America's economy is on the brink of the second phase of a severe recession. After he "started" with the real estate crisis, the global economy hits now new obstacles: economic downturn, financial and banking crisis, rising unemployment, lack of confidence in the banking system, massive withdrawal of investors and unprecedented increase economical and financial crime, particularly money laundering. After pioneering of the years 1920 - 1930, when America's organized crime bosses used to dry and "wash" dirty money coming from organized crime activities, over time, funds recycling schemes began to evolve and become increasingly complex. Currently, money laundering has become a very complicated process to go through several stages and involves many people, institutions and organizations. Recycling funds today involves a complex of activities from which the money came from criminal activity are transferred, transformed and combined with other funds from legal activities, in order to disguise their illegal origin. Practically all this complicated business comes from criminals need to conceal the illicit origin of the money. But beyond the complexity of this phenomenon, dirty money behaves like water: follow the path of the minimum resistance. The operators engaged in recycling of the funds are seeking permanently places of the world where the legal system is the most permissive, and banks are willing to accept funds without asking too many questions.

Today, the term "recycling of funds" is closely associated with drug trafficking, gambling, prostitution, human trafficking,

weapons smuggling and other such international criminal activity. Money laundering schemes are extremely laborious and complicated but because they are very profitable, are attractive for financial institutions. Within money laundering, financial mechanism is implemented by false representation of the facts. Very often are invented a civil contracts in order to "clean" money obtained from illegal activities. In this way, between an owner of an asset and a company that seems to be independent of it is concluding a sale contract, but in reality the contract has been created by the owner just to give the appearance of a legal transaction which actually exists only on paper. The United Nations has defined the term money laundering as "concern to disguise the origin, nature, disposition, movement or owner of the funds from illegal activities, by moving or converting them, in order to give the appearance that these funds are the result of the legal activities". Because the international community wanted to adopt uniform regulations in dealing with the whole complex of criminal activity associated with money laundering, the European Community Council Directive number 91/308 on 10 June 1991 defined in a more complete notion of legal money laundering.

Thus, money laundering is considered:

- Conversion and the transfer of ownership, knowing that such property is the result of criminal activity in order to conceal or disguise the illicit origin of property, and helping anyone who is involved in conducting this kind of activity, to avoid the legal consequences of this actions;
- The concealment or disguise the nature of the source, position, character and movement of the real property, knowing that it comes from criminal activity or participation in this kind activity;
- Acquisition, possession or use of property, knowing at the time of receipt, that such property is the result of criminal activity or from participation in this kind of activity;
- Participation in association, abetting, concealing, facilitating and advising of the

realization of any action mentioned in previous paragraphs.

Globalization phenomenon and organized crime coupled with economical and financial crisis, unprecedented financial and economical openness has led to intensified recycling of funds in Romania and all over the world. For this reason, there is an imperative regulatory of the national banking system by successive acts. Thus, the Romanian Parliament first adopted in 1999 Law No. 21 for the prevention and sanctioning of money laundering, and then in 2002 the Law number 656 for the prevention and sanctioning of money laundering, and finally in 2005 was adopted the latest law in this area, aligning Romanian at the European legislation in this area. This last act, stipulates as the crime of money laundering the following facts:

- Change or transfer of property knowing that comes from committing crimes, the purpose of concealing or disguising the illicit origin of such property or to help the person who committed the crime to evade prosecution, trial or execution of sentence;
- The concealment or disguising the true nature of the origin, location, disposition, movement or ownership or rights over their property, knowing that the goods come from crimes committed;
- The acquisition, possession or use of property, knowing the criminal origin, association or initiation of an association, membership or support.

3. The impacts of the current financial and economic crisis on the money laundering

The beginning of the third millennium shows great extent of economic activities taking place in the whole world. International economic relations reached unprecedented dynamism, new states and markets are integrated in this economical system. It is clear that in this endless economical territory are initiated, developed and completed an impressive number of illegal businesses, which, very often is known as the business criminality phenomenon. Fraud, in this context of financial and economic crisis, "injured" more than ever the global economy, causes huge financial losses, damaging social stability, threatening

democratic structures. As well, the financial and economical criminality causes loss of confidence in the economic system, subverting and undermining economical and social institutions. Concerned about economical and financial criminality, the international banking community looked attentive at causality and effects, recommending to the governments to take concrete measures to limit them. Variety of legislation, coupled with social and economical features deriving from the development stage of different countries, have made impossible to define precisely, using a single definition of the economical and financial criminality, especially in the area of money laundering. In this regard, the most effective solution of the problem of international money laundering is primarily international cooperation and creation of unique control systems and uniform regulations concerning the penal investigation in each country. International money laundering system is based on exploitation by financial operators of the financial and banking differences between the countries of the globe. Specific activities of international money laundering operators have significant effects on the global economy through: serious damage of the national economies, corruption of the financial markets, reducing public confidence in the international financial system, increasing the risk concerning economical stability, leading to the slowing of the global economical growth, already severely affected by the global crisis. On the international level has been observed that some operators involved in transnational organized crime (including money laundering) could destabilize the national economy of specific countries by transferring important funds out of those economies (in the case of Colombia and Argentina). Of course, all these activities couldn't take place without corruption of officials, civil servants and important politicians. International money laundering operation, are based on differences between financial and legal systems of the states. Therefore, to combat an international phenomenon the only way is, to adopt international cooperation measures. In recent years this phenomenon has been

favoured by the increased globalization of world economy and financial markets.

Worldwide, money laundering problem was treated for the first time in an organized manner by United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, adopted in Vienna on December 20, 1988. This convention emphasized in detail the mechanisms and effects of drug trafficking, emphasizing the fact that drug trafficking is an important source of black money that allows organized crime to penetrate and corrupt international institutions and state agencies, business and financial sectors. Following this international legal act, the states have adopted one by one legal and institutional measures to prevent and control the activities of operators working for recycling of "black" funds. Sources of dirty money and recycling possibilities were extended and significant parts of the underground economy activities are infiltrated in the real economy using various methods. Transparency and the health of financial markets are key elements for efficient functioning of economies, but the financial markets could be seriously threatened by money laundering phenomenon. The deterioration of the financial system could be instant, having serious effects, hard to be predicted and the recovery process is long and uncertain. In a scenario unlikely but not impossible, a cartel of criminal organizations controlling significant financial resources, could destabilize and compromise a national economy by coordinating the transfer of funds abroad or implementing massively large amount of "black" money in the real economy. Quantifying the effects of such assumptions is impossible because there may be a first moment of apparent growth, increasing interest of investors for certain objective. But later will appear the first signs of insecurity - the cessation of payments to a bank, financial institution or a freezing of funds, decreasing the rating of a country. Moreover, the "black" funds will create instability because market reaction could not be effectively controlled, rumors and speculation taking place of the rational financial actions.

Referring to this, Jean Francois Burgelin, general prosecutor at the Supreme Court of France, in his book "Blanchiment de l'argent et criminality organize" cautions that an unknown operator, which, in a tropical paradise transfers tax in bank accounts around the world millions of dollars of illegal origin, it seems, in the opinion of the community, less dangerous than a criminal who tries, using different means to break a bank. However, recycling of funds is a more dangerous operation for the stability of national economies than robberies and different violent actions. Although apparently more difficult to accept, is a correct view, because any criminal activity must be followed by placing money obtained from criminal activity in the real economy. In this way the fair competition existing on the market is seriously affected. That is why, during the current crisis is required more than ever to adopt new institutional measures to prevent and combat money laundering activities. More then ever should be increased the place and role of the international institutions having responsibilities in this area - INTERPOL, EUROPOL, FRONTEX and the harmonization of the legal systems could contributes to decrease the effects of the crisis and money laundering.

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The Establishment of the Implementation Mechanisms for the Integrated System in SMEs

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Abstract

To survive and achieve to develop their activities in an increasingly competitive environment, small and medium sized enterprises have to increase their competitiveness and, progressively, reduce their operational cost.

It is necessary to develop a flexible and unique management system for these enterprises to use to integrate all management systems or activities related to quality, safety and environmental issues and improve their overall business performance and also to get prepared for certification according to the relevant international standards.

The output of this paper is a route map of activities for the implementation of the integrated management system, incorporating tools addressing specific management areas using quality, safety and environmental issues to focus them. The route-map has the potential to integrate the overall management activities of an organization. The tools of the route map were partially implemented to two SMEs, giving positive validation of the concepts.

Key words: standard, SMEs, route map, safety, quality.

J.E.L. classification: M11

1. Introduction

SMEs are and will be a significant task to work on within the framework of the European Union economy. The global trend indicates that today and in the near future big firms will be united to giant enterprises, which will dominate the market, influencing all its parameters and determining prices.

Due to these reasons, SMEs will face many perils and run the risk of being excluded from the marketplace, if they do not manage issues like cost reduction and competitiveness immediately and in the most efficient way.

The European Union's concern about enabling SMEs to survive in a rather difficult business environment is very obvious. It is important to mention that:

- In the 1996 British Quality Foundation & EFQM edition of the Business Excellence Model and the process of Self Assessment, special guidance for Small Businesses is provided for first time.
- The Regulation (EEC) 1836/93 for Eco-Management and Audit Scheme (EMAS) gives emphasis to the way that it can be implemented to SMEs.
- Most of the Research Programs funded by the European Union provide opportunities for projects that deal with SMEs development and their performance improvement.

Additionally, management system standards like the ISO 14004: 2005 "Environmental Management Systems - General Guidelines on Principles, Systems and Supporting Techniques" and the BS 8800: 1996 "Guide to Occupational Health and Safety Management Systems" make special reference to their applicability to SMEs.

Quality, safety and environmental issues reflect all aspects of competitiveness. More precisely:

- the concept of Quality Management, as a means to achieve benefits for all stakeholders groups through sustained customer satisfaction (ISO 9001: 2008 "Quality Management Systems - Guidelines");
- safety, as a management field for controlling and reducing all kinds of losses and the relevant cost;

- environment, as a synthesis of internal and external parameters to be managed for the benefit of both the organization and the society create, in synergy, a triangle basis for developing a management system that SMEs need and are able to implement and which can be extended to serve the overall management needs of these enterprises.

2. Development of an innovative unique generic system for managing quality, safety and environmental issues

By examining the special characteristics and needs of SMEs, among which the necessity for cost-effective management systems and procedures and the limited resources are the most critical ones, the importance of establishing and using management systems that unify a number of issues in these organizations becomes very obvious.

Although a number of articles have addressed the IMS approach for quality, safety and environmental issues, no generic management basis has been established yet for SMEs. Standards, models and regulatory documentation demonstrate a structural relationship between the management methodologies of these three issues but there is a big difference between their objectives and orientation as they appear to be put in practice at the moment:

- Quality management basically aims at satisfying customer expectations and needs
- Safety management primarily aims at fulfilling legal obligations
- Environmental management aims at proving the existence of a social responsibility.

By integrating these issues through the development of a unique management system and a common framework of objectives, a significant aid is provided for SMEs to achieve competitiveness and continuous improvement targets.

3. Preparation of SMEs for ISO 9000 and ISO 14000 certification

ISO 9001 and ISO 14001 certification is very important to SMEs for various reasons:

- It provides strong marketing tools to these companies that really need them;
- It increases their products or services reliability;
- It creates a sound background for culture change;
- It produces "formal paths" of communication to SMEs where the high rate of informality could cause problems;
- It gives SMEs the opportunity to become suppliers of bigger organizations which consider such certification a requirement for starting a collaboration with a supplier;
- It upgrades their image to all groups of stakeholders.

4. Increase of SMEs organizational flexibility

An advantage of SMEs is that their size helps them maintain their flexibility. Apart from that, the organizational structure is a critical parameter for an organization's flexibility. By integrating management systems eventually a lean-structured cross-functional process-oriented organization is gradually formed.

Fewer horizontal functions substitute separate vertical ones and fewer people are needed while more activities are accomplished. The IMS route-map implementation should lead SMEs to create more flexible organizational structures and increase their efficiency.

5. Reduction of SMEs operational cost

Quality, safety and environmental management systems provide cost reduction benefits to companies, through:

- minimization of cost of non – conformity
- improvement of productivity;
- continuous reduction of losses and of the relevant cost;
- improvement of process management;
- implementation of preventive actions instead of corrective actions.

The synergy achieved by integrating these management systems will multiply the benefits mentioned above. The IMS route-map will additionally help SMEs control their overall operational activities more effectively and efficiently through specific tools.

6. Establishment of mechanisms for SMEs continuous assessment of performance improvement

Based on the eight quality management principles and the principles of Business Excellence Model, the IMS route-map introduces ideas and techniques of continuous improvement assessment that suit SMEs.

It must be mentioned that SMEs needs for performance assessment are different from these of big enterprises; for SMEs, parameters like time and response speed are much more critical, as their time horizons are inevitably shorter and their financial and other resources are limited.

Their assessment system must continuously monitor their overall performance, giving them the possibility to take immediate action as soon as problems or system deficiencies occur.

7. Increase of SMEs competitiveness

The combination of organizational flexibility, operational cost reduction and continuous total performance improvement assessment will increase SMEs competitiveness dramatically.

An IMS route-map can act as a platform for the development of a new management style that will be based on:

- simplified purposeful procedures
- value-adding process planning
- front-line management practices

8. Steps of the IMS route-map development procedure

As the IMS route-map addresses to SMEs, the first issue that had to be studied and analyzed was their special characteristics and needs as they were indicated by the literature review and the data collection procedure. The analysis led to two groups of results:

- results showing how these organizations operate, their overall weaknesses and strengths and what they actually need and the IMS route-map should provide;
- results related to the way quality systems are usually implemented to SMEs and to the characteristics of these systems.

The former group of results strongly influenced the content of the IMS route-map as the input of the user group, whereas the latter group of results influenced the structure of the IMS route-map and the points related to its applicability.

A very important aspect of the IMS route-map development procedure was the design and development of a number of particular tools to be implemented within its framework, or even independently.

9. IMS route-map tools development

The particular tools of the IMS route-map aim at:

- introducing a systems approach to areas that, generally, are not managed that way in SMEs;
- fulfilling the needs of SMEs;
- satisfying the requirements of the applied standards;
- providing simple, cost-effective ways for SMEs to cope with specific issues, by integrating activities;
- facilitating the IMS implementation in SMEs.

The development of each tool was based on the following axis:

- determination of the areas of concern to be addressed by the tool, that would ultimately specify its aims;
- identification of the standards requirements to be met by the implementation of the tool;
- design of the tool, by modifying the content of its particular step or phase and the sequence between them, based on the expected final output of the tool.

The priority of the tools introduction within the framework of the IMS route-map was determined by the integrated basis of quality, safety and environmental management standards.

10. Conclusions

The fundamental elements of the paper were:

- the special characteristics of SMEs and their needs for survival and development, as they were determined by the literature review and the analysis of the results of the relevant standards;
- the quality, safety and environmental management principles and the requirements and / or guidelines of the relevant standards.

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Evolution of Foreign Direct Investment during the Global Economic Crisis

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Abstract

FDI had a positive development before the global crisis, on the background of global economic growth, foreign investment regime, liberalization and internationalization strategies by increasing the number of transnational corporations. The crisis has adversely affected access to financing, corporate profits fell over, limiting their ability to invest in production capacity expansion as a result of markets deterioration and unfavorable economic outlook. If in 2008 the worst affected were developed countries, the decline in FDI flows in 2009 included all world economies at global level reporting a perceived decrease in FDI inflows of 16% in 2008, 37% in 2009 and in 2010 the volume of global FDI flows received only a marginal increase by 1% respectively from 1144 billion USD in 2009 to 1122 billion USD in 2010.

Key words: foreign direct investment, economic and financial crisis, declining corporate profits.

J.E.L classification: F21

1. Foreign direct investment worldwide

Developing a strong economy based on competitive market principles can not be achieved outside its connection to the world economy even as growth and progress can not be achieved without the investment including foreign direct form.

Foreign investment flows between countries and groups of countries are formed according to specific targets varying from country to country in relation to the economic and technological development,

economic structure and factor endowment, the progress of computer science and telecommunications, the internationalization of financial markets and the expansion of corporate cooperation. During 2003 - 2007, FDI flows have registered an upward trend, supported by global economic growth, liberalization of foreign investment regimes and implementing large-scale internationalization strategies by increasing the number of transnational corporations. This system embedded in 2007 approximately 75,000 transnational corporations and 650,000 foreign affiliates, representing 25% of world production. Top 100 transnational companies have a dominant position in the international system of production. They amounted to a turnover of 5.200 billion USD assets over more than 9,000 billion dollars and over 15 million people [1].

Financial instability occurring in the U.S. in the summer of 2007 led to a progressive deterioration of the situation of foreign investment worldwide.

After a relatively calm period in the early months of 2008, the crisis suddenly erupted when leading financial firms such as Lehman Brothers U.S. and AIG and then financial institutions in Europe such as Fortis, Dexia recorded cases of insolvency. Thus it became clear that this new manifestation of the crisis is a symptom of a serious situation of global financial services, going beyond the financial sector causing shortly serious repercussions on the real economy.

The year 2008 marked the end of their international investment growth [1] that began in 2003 and reached a historic high of 1.9 trillion in 2007.

According to UNCTAD, after a decrease of 16% of FDI flows perceived in the world in 2008, their volume fell by another 37% in

2009, exceeding the minimum threshold of \$ 1 trillion. The decline of international investments in 2008-2009 has two main causes:

- reducing the company's ability to invest because of restricted access to financial resources internally (decline in corporate profits) and external (scarcity and high cost of funding sources);
- reduce opportunities for companies to invest in expansion of internal / external production capacity due to deterioration of markets (especially in developed countries), the unfavorable economic outlook and increasing of risk aversion.

Diminishing profits and stock exchange quotations fall, drastically reduced the number and value of cross-border mergers and acquisitions, the main way of entering foreign direct investment markets. The total volume of sales of transnational corporation subsidiaries implanted abroad, rose in 2009 to over 29 billion USD, almost two times higher than world exports of goods and services in the same year, of 15.716 billion USD.

In turn, exports carried out by subsidiaries of transnational corporations abroad amounted to USD 5,000 billion, representing a third of world exports of goods and services in the same year. Although sales of foreign affiliates of transnational corporations implanted abroad as value added, gross product generated by them was reduced by 4-6% in 2008 and 2009, their contraction was lower than the decline in global economic activity, that is why the share value added related subsidiaries reached a new historic high of 11% of global GDP in 2009.

Despite diminishing sales and added value, the stock of FDI worldwide and assets held by foreign subsidiaries were re-enrolled on growth track in 2009 (after a reduction of 5% in 2008, assets increased by 7.5 % in 2009) due to increase by 15% of the stock of foreign direct investment.

According to the report for monitoring international investments UNCTAD in 2010, the volume of foreign direct investment flows has increased by only 1% from 1114 billion to 1122 billion USD in 2010.

Stagnation of investment activity worldwide is a concern because public investment and economic stimulus packages initiated by governments around the world in

order to reduce the negative impact of global financial and economic crisis are about to exhaust their effects.

2. Foreign direct investment in developed countries

The main generators of foreign direct investment flows are developed countries because they have large accumulation and material resources, technical and human resources and technology and managerial experience.

The high degree of concentration of investment flows to both input and output takes place within groups the European Union, North America and Japan. The largest flows of direct investment take place in developed countries but there are differences between countries due to size, their economic and technological power, the structure factors of production and technological and managerial experience.

Unlike 2008, the impact of global financial and economic crisis on FDI has been important in terms of large regions, groups of countries - the most seriously affected being developing countries in the epicenter of the financial crisis, decline of FDI flows in 2009 was widespread covering all three major groups of economies, the developed ones, developing and economies in transition.

After falling by 29% in 2008 [3], FDI flows oriented to the group of developed countries has decreased by 41% since 2009. If the 2008 champion absolute rhythms in EU-27 was negative (-40%) and the U.S. and Japan have registered increases in investment inflows (17% and respectively, 8%), in 2009 the decline in FDI received by the EU-27 was also attenuated (-29%), USA and Japan recording a decreases of more than 50%. In these circumstances, EU-27 share in total FDI flows globally perceived increased from 30% in 2008 to 34% in 2009 (but was much lower than in 2007, 43%), while the U.S. share decreased from 19% to 13% in 2009.

Despite the serious imbalances in financial markets stemming from the U.S. and which led to the worst U.S. last decade recession in the last decades, the United States in 2009 maintained its position as the largest recipient country, both in the group of developed

countries, as well as globally. Flows received by the developed economies in 2010 decreased by 7%, despite the recovery in some of these states. The only notable increase in this group of countries has been the U.S.A, where investment has increased by 40% compared to 2009 due to strong expansion of the reinvested profits of foreign subsidiaries. However Europe in 2010 has been shown as a sub-region with the lowest flows of investment drawn (22%), after reducing by 28% in 2009. Within the EU-27 the received flows decreased by 20% in 2010 due to Luxembourg and the Netherlands which recorded negative values of drawn foreign investments as well as to the uncertainties related to sovereign debt of Ireland and Italy (Greece and Spain are not large receiving countries).

If the large EU economies such as France and Germany, the received flows slightly decreased in 2010, they decreased dramatically in Japan due to major disinvestment processes, such as Ford.

3. Analysis of foreign investment in the economy of developing countries

Compared to developed countries the share of foreign direct investment in developing countries in total world investment is low (30%). In these countries economically developed countries predominantly invest and the decision is influenced by a number of natural factors, the degree of risk, the existing infrastructure of the economic and legal status of labor but also the processes of privatization and liberalization of foreign investment.

For FDI flows to developing countries and those in transition, which continued to grow in 2008 by 17% and 26%, helping to increase the share of both groups of countries in the overall volume of investments decreased by 35% and by 39% in 2009, following the effects of global economic and financial crisis. In 2010 we are witnessing a 10% increase in foreign direct investment attracted to these states.

In the context of perceived general decline of these countries in 2009, a notable exception is China, which has managed to improve performance as host country – railings. After increasing by 30% drawn flows in 2008 (to 108 billion USD,

equivalent to a 6.4% share of total world), China has managed to maintain their high attracted flows in 2009, detaching net of any of the regions of the world, attracting 95 billion USD, to reach in 2010 to an increase of volume to 101 billion USD.

In 2010 developing countries and transition together attracted more than half of global investment volume for the first time. Latest estimates of UNCTAD indicates a recovery-oriented power flows to developing countries in Asia and Latin America, which would offset the decline in foreign direct investment flows to developed countries (despite the U.S. performance). Since 2009 half of the perceived global flow was drawn to developing and transition countries, who have returned a quarter of the flows generated in the world.

Although developing countries have long been reluctant to direct foreign investment, the new context in which these flows are (changing competitive conditions, changing attitudes and policies) have led in the recent decades not only to advantageous ways for investors but also for host countries. These are the exclusive property of the transition from foreign companies investing in the means of production, with all rights implications arising from this, access to credit in the financial markets, the shift from direct control of the company's total foreign investors and the management of a subsidiary participation of host country firms, management control and decision making.

4. The analysis of FDI flows received by the EU – 27

When FDI directed to the EU-27 FDI fell by 40% in 2008 (from 504 billion. USD) compared to the record in 2007 (842 billion. USD) - a decrease of almost three times higher than the recorded globally (14%) and more pronounced than that of the group of developed countries (29%), declining investment flows received by the EU-27 continued in 2009 but with a smaller scale (-29%) in 2010 by 20%. The crisis has affected to varying degrees-27 EU member states and caused intra-barriers in the hierarchy of major host countries. Some of the old Member States have seen dramatic reductions in their position in terms of FDI received health, the most striking

example is Britain, which lost its traditional position of the largest FDI recipient country not only in the EU, but also the group of developed countries in Europe. After being hit by the financial crisis in 2008 - when the received FDI inflows halved, reaching 97 billion USD, United Kingdom faced an unprecedented collapse of their 2009 volume itself only mandate 7 billion USD. As a result, Great Britain since 2008 has lost the traditional position of leadership in Europe in terms of FDI attracted, whom it gave to France. In 2010 it was able to obtain a slight increase of 1.2%.

And the EU-27 countries can talk about a general decline of FDI received, although there are some exceptions. Thus, in Italy, whose perceived FDI flows declined noticeably in 2008 (17 billion dollars from 40 billion USD in 2007), they increased to 30 billion USD in 2009 (76%) for in 2010 to decrease by 35.5%. Germany, whose FDI inflows recorded in 2008 a decline of 56% to 2007 (reaching only 25 billion dollars and causing a lowering of the developed country group to 7th place in 2007, 9th place in 2008) has increased FDI by 41% in 2009 (35 billion USD) in 2010 their volume to decline by 3.5%. The Netherlands - host country for major financial TNCs (which contributes to the volatility of FDI flows, mainly through intra-company creditors), the received FDI became negative in 2008 (- 3, 5 mil USD, compared with 118 billion USD in 2007), to increase to 38 billion USD in 2009 and in 2010 to decrease by 24.7 billion USD. Also, FDI flows received by Finland and Ireland, became negative in 2008 (-4, respectively, - 20 billion, compared with 12 and 25 respectively billion in 2007) increased to 3, respectively 14 billion USD in 2009. In 2010 FDI in Finland have remained constant, the Irish to fall by 66.3%.

In terms of making FDI modes, there were revealed two major trends that explain the strong decline of FDI in 2008-2009: on the one hand, although it decreased investments in extending economic activities abroad either through M & A transactions or through new investment projects, and on the other hand, exceeding the volume of new investment by companies - disinvestment or other transfers of funds from subsidiaries abroad implanted by the parent companies (eg repay debt, reverse loans).

The disinvestment process means partial or total suspension of border ownership relations, whether as a result of firm-level strategic decisions on the geographic scope of activities creating added value (concentration resources at national, regional or global level) or of a change in the means of supply (eg by turning from local production to export) or the complete withdrawal of FDI in a host country. The evolution of global FDI in 2010 was characterized by divergent trends in terms not only regional but also the composition of FDI and their methods of entry. Thus, it is considered that improving economic conditions in 2010 led to an increase in reinvested earnings, while capital investment (in the form of shareholdings) and inter-firm loans remained at relatively low levels. While the growth in profits of branches abroad, especially in the developing countries, have boosted reinvestment profits, the uncertainties in the global economy, the volatility of currency markets and sovereign debt in the European region have resulted in a negative trend of inter-firm credit and a lower level of capital investment. Regarding to the way of market entry of FDI, cross-border mergers and acquisitions increased by 37% in 2010, while new projects have continued to decline in number and value. However the volume of the latter value was much higher than the value of cross-border mergers and acquisitions.

5. Conclusions

After a 16% reduction in flows in 2008 it fell by another 37% in 2009 while outgoing FDI fell by 43%. All components of FDI flow fell in 2009 in shares prices, inter-groups and profit reinvestment. Reducing international mergers and acquisitions was the main cause of reduction in FDI in 2009. These were reduced by 34% (65% in value) while the number of projects to create new units did not decreased more than 15%.

UNCTAD estimated that [4] FDI flows began to recover in 2010 to a level of 1122 billion dollars expecting to reach the 2011 level from 1300 to 1500 \$. It is considered that in 2012 there be reached pre-crisis level by investing between \$ 1600-2000 billion. It is expected that improving macroeconomic conditions in 2010, strengthening and

increasing profits TNCs stock market quotations coupled with increased confidence of business circles in 2011, to result in an increase in investment activity. On the other hand there are still some risks in perspective, especially related to the economic downturn by "original impetus" of the recovery process, the volatility of currencies, sovereign debt and protectionism in the European region for investment. Vigorous recovery of global FDI will depend on achieving sustained economic growth and revival of investment activity in developed economies.

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Quality Improvement of the Offered Services – Solution for the Banking System Management in Romania

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Abstract

Quality management banking perspective is extremely interesting, from the point of view of the activities specific, and of the permanent area competition imposition. Banks being aware of the quality problems also lead to the appearance and requirement of some area working standards. Standards imposing and issuing together with the performance measure system are to be the main elements of a quality programme.

Key words: Quality, performance, banking services

J.E.L. classification: G21, G24, E43

1. Introduction

The adjusted number of the banks lead to an increasing competition and to the market banking services' awareness, in order for the „desired quality/issued by the bank” together with the one perceived by the client, to be both taken into account.

Philip Kotler defines the term „service” in the following way: „a service is any action or operation that one party can offer to another party and which is essentially intangible and it does not have for a result getting possession of a thing. Its production may or may not be related to an existing product in physical shape” [1].

There are relatively recent items regarding banking area quality management (the start has been issued within the years 80s of the 20th century), but researches for constant improvement have proved their importance, especially for the developed states. For example, north-american and west- european

banks have continuously worked for their clients' support and the performance of their needs (also by constant evaluation of their contentment)[2].

2.The evaluation of technical quality

In the economic environment, this situation demonstrates the necessity of being different from the competition through a different service which exceeds the expectations through superior quality. In the banking environment, which is already characterized by strictness and exigency, this situation demonstrates the necessity of providing an irreproachable service. One distinction can be made between: quality as a consequence of the service *characteristics* and quality as a consequence of the lack of flaws.

Another distinction is made between the technical quality and the functional quality of services. While technical quality expresses the result of the performance (what the client stays with after the interaction with the provider), the functional quality refers to the way in which the service is provided.

According to researches, the Romanian banks' private clients are both interested in the product's purchasing costs and also in the bank's vicinity to their homes. The added value for a bank's client also includes the following important specifications, which present one or more adequate target values and unique items, certain bank's structures being active for each of them[3]:

- products' merchandising conditions– as better as possible;
- bank's accessibility – as great as possible;
- products' purchasing costs- as low as possible;

- the product's variety of the offer;
- interests value –higher for the deposits and lower for the credits;
- products' purchasing durations –as fast as possible;
- staff's attitude and behaviour– more turned to the client.

Starting from an external method for quality evaluation „mystery shopping”, we can evaluate the technical and functional quality of the service „the personal needs credit”, which is present in 5 versions on the banking services market from Romania, eventually identifying adequate improvement strategies. The 5 services analysed are: Personal needs credit –BRD-Groupe Société Générale, „DIVERS BCR” – credit BCR, „The personal needs credit”–INGBank „The personal needs credit”– OTP BANK, and „The personal needs credit”–BANCPOST BANK

We excluded such elements as: the value of the taxes and commissions or the number of documents required, which are considered less important in making the buying decision. Next, we established the assessment scale that is to be used.

For measuring the quality of the services above, the chosen technique is „mystery shopping”. Concentrating on the interactions between employees and clients, that is on the so-called „truth moments”, the applied technique will evaluate the functional quality of services. Because of practical impediments, there are however differences between the theoretical version of the method and the way in which this is applied. Firstly, from the theoretical point of view, the method involves buying the tested services, „the mystery client” being allocated a budget for this purpose. In this study we tested just the „pre-shopping”stage. Secondly, the method implies making repeated tests in the same bank with more „fictitious clients”. In the present study, we tested services belonging to different banks (one for each), with just one „fictitious client”.

According to theory, the technical quality expresses the result of the performance (what the client stays with after the interaction with the supplier).

For the majority of elements we set a score from 1 to 5, 5 being granted to the most favourable value existing on the market, and 1 – to the least favourable value. For

intermediary grades, the intervals were established mathematically. In the case of non-valorical elements, grade 5 was granted for the most favourable situation on the market and grade 1 for the least favourable situation. For a better relevance of the results we also used importance coefficients. (Table 1)

Table1 Evaluation of the service technical quality

Elements	MS	MP		G	C	T
„k”	1	2		4	5	-
BRD	5	5		4	3	58
BCR	4	5		5	4	66
ING	3	4		2	2	38
OTP	2	3		4	2	40
BP	1	1		1	2	24

Source: author's data

The importance coefficient - „k”

The maximum borrowed sum – MS

The maximum crediting period (years)-MP

Interest value-I

Garantig method-G

Collaterals-C

Total-T

While technical quality expresses the result of the performance, the functional quality refers to the way in which the service is performed (the way in which the interaction with the supplier takes place).

3. The evaluation of functional quality

The functional quality is specific to services and clearly linked to the „truth moments”. In order to identify the elements of the functional quality we took into account the 5 dimensions identified: tangible elements, seriosity, responsiveness, safety and empathy. These were decomposed in components, taking into account traditional definitions, but also introducing new elements, in order to ensure the possibility of their manifestation in the „pre-shopping stage”. In this case we also established an objective assessment scale. If in the case of technical quality, the assessment scale was established by reference to the market situation (the evaluation of the characteristics of a bank's service is made by referring to the most favourable offer or the least

favourable one on the market), in the case of functional quality the assessment scale was established by referring to the ideal situation.

Table 2. Evaluation of the service functional quality

The assessed elements	BRD	BCR	ING	OTP	BP
Tangible elements					
modern endowment	4	4	5	3	2
pleasant environment	5	4	5	3	2
space organization	4	3	5	2	2
staff appearance	5	4	5	3	2
Total	18	15	20	11	8
Safety					
staff competence	5	5	5	3	2
polite staff	5	3	4	5	3
information provided	5	2	5	4	2
Total	15	10	14	12	7
Seriousity					
interest in solving problems	5	4	4	3	3
sufficient resources	5	4	5	3	2
transparency	4	3	3	2	1
Total	14	11	12	8	6
Empathy					
flexibility	5	3	4	3	3
visual contact	4	3	4	3	2
active involvement	5	4	5	4	2
Total	14	10	13	10	7
Responsiveness					
waiting time	5	3	3	5	3
availability to help	5	4	5	3	3
staff presence	5	5	4	3	2
Total	15	12	12	11	8
Maximum possible score	80	80	80	80	80
Score effectively obtained	76	58	71	52	36
Percentage	95%	72,5%	88,75%	65%	45%

Source: author's data

4. Conclusions

The service provided by BRD- Groupe Societe Generale registers the biggest number of maximum grades. The functional quality is very close to perfection. Obviously, the client's expectations were exceeded.

In the case of the service provided by BCR it is noticed that the score is maximum for technical quality, but minimum for functional quality - 66. The strong points of the service are the borrowed sum and the long crediting period, but mainly not requesting collaterals and the possibility of transferring a part of the borrowed sum in the personal account.

In the case of the service provided by ING Bank, we can remark the interest for solving the clients' problems quickly, the pleasant environment for discussion, the sustained visual contact and the employee's interest to find the product that best suits the customer's needs.

The weak points refer to technical quality, through the considerable collaterals requested and the transfer of the whole sum in the account of the educational institution.

In the case of the service provided by OTP BANK, the total technical quality is medium, the weak point being the request of important collaterals and the strong point the transfer in the client's personal account.

For the service provided by BANCPOST, we notice the minimum score for functional quality. From this point of view, the service is obsolete. It is recommended either to abandon it or to update it. In the case of functional quality, most of the scores are medium, especially the lower degrees for staff presence at working points, availability to help, staff competence and information provided.

Clients' perception can greatly be improved by using a very efficient marketing and by sustained interest for quality improvement, their needs and requirements satisfaction. A client should be given the impression he is the most important, in order for him to be willing to attend the specific bank's services. It is considered to be much more expensive for a bank to attract new clients, than to keep the old ones, so all banks should try by any possible mean to improve clients public department.

Standards imposing and issuing together with the performance measure system are to be the main elements of a quality programme[5].

Which is the situation on the banking services market? The practical study we made offers a comprehensive answer to this question. There are negative surprises (waiting time and carelessness from employees in a bank with tradition; insufficiently informed staff in three banking institutions), but also positive ones (the ability and the care of the staff would make the client return only for „the sake” of interaction). It is intriguing that the negative events which impressed most (the so-called „critical incidents”) have obvious, easily identifiable solutions. By simply recording the clients’ complaints and replacing the non-functional systems identified by them would lead to a substantially improved service.

Still, there is not considered to be a priority for most of the east-european banks, to work upon a quality management system.

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Increase Global Competitiveness of Firms in the Economic Crises through Employees' Flexible Work

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Abstract

In the global economic crisis, the competitiveness of companies is provided by the competence, experience, employee productivity. The key word is to reduce costs, which can be achieved through flexibility and savings. Employees working flexible represent an effective innovation work in the period of economic crisis. We know that innovation is the main engine of growth in the current context, and innovation at work not only ensures the survival of firms, but thus maximizing their internal customer satisfaction.

Key words: competitiveness, employee, flexibility, innovation, employment

J.E.L. classification: M5, G01, O31, J24

1. Introduction

Socio-economic entities are those that resist competitive and even grow under conditions of global economic crisis. Moreover, in any economy where competition is increasingly fierce, competitive became a desire for any company. To ensure the competitiveness of firms make special efforts, not only permanent adjustment to market conditions and its requirements, but to create environmental conditions favoring their development. Concerned as more of the global crisis, maximize customer satisfaction,

companies are willing to seek solutions to streamline costs, flexibility and quality assurance activities.

Moreover, knowledge-based economy generates new models of organization and economic activity. This is an economy based on knowledge and ideas, an economy in which people work more with their brains instead of machines, in which communications technology creates global competition, in which rapid change is a constant, in which innovation is more important than production table, the investor buys new concepts or new ways to create than new machines[4]. Survival and development of firms came from innovation and not derived from optimization. Innovation and competition are the engine of development entity.

The success of firms in knowledge-based economy is determined by how they manage to spur technological innovation, to develop business relationships, promote and develop specialized skills type learning networks. This is because the informational economy is characterized by rapid change of paradigms: manufacturing processes, organization (work) and business management[4]. As such, markets are global firms operating, dynamic, requiring the creation of business networks to develop, promote entrepreneurship, to develop flexible hierarchies, flexible organization of production and labor.

2. Importance of increasing the competitiveness of firms in the current economic crisis

In firm theories we found stakeholders theory showing that managers may not maximize firm value if ignored objectives, the needs of all stakeholders: shareholders, employees, suppliers, creditors, customers, communities, etc. .. In other words, the state of competitiveness cannot be achieved by an entity, if not taken into account the interests of the main partners, at least.

Competitiveness - complex concept, can be addressed at individual level, organizational and societal or general. Thus, in general, competitiveness means the ability of competition to keep and obtain economic benefits in the context of that environment. This general approach applies to both individual and organizational level. At the societal level, however, expresses the capacity and competitiveness of that country's ability to efficiently use seized and identified opportunities globally.

Research on competitiveness has revealed a number of interrelated factors of competitiveness: profitability, investment, improves the quality (of products and activities), expansion and diversification, proactive behavior. But if competitiveness is addressed from the perspective of modern management, namely in terms of two key factors: profit entity and its impact on the market - through the products and / or services and proactive behavior, it is essential to increase competitiveness of the companies in the context of global crisis. This is because profit is not just a company's purpose, but a means that may ensure the survival and / or development. In this sense, the economic crisis, the primary objective is to maximize customer satisfaction firms and all those interested. Companies that are based on studies of customer needs (internal and external) will be able to identify competitive advantages and to act in order to capitalize on market opportunities and even to create conditions for increasing competitiveness, promoting entrepreneurship and innovation. After two years of crisis, the EU has published a new strategy for accelerating the development of new products and services in

the hope of increasing employment and hence economic growth. One component of Europe 2020 initiative, called "Innovation Union" aims simulation and accelerating innovation in Europe[6]. The term "innovation" has different meanings depending on context it is used or studied.

3. The role of innovation factor in ensuring the competitiveness of firms

It is generally known that innovation, the main engine of growth for any entity, may be approached conceptually as a process or a problem solving approach[1].

Obviously, innovation is based on the results of new technologies on innovations in related fields or different from the approach, the combination of new technologies, and the use of knowledge used by other entities in different contexts. So innovation is an activity that results in: a new product, a significantly improved product, a new process, new procedures, new or significantly improved technologies and techniques, new ways of working and new tools or significantly improved. Whether it's developing products, services or new ways of selling or marketing, identifying ways to increase employee work efficiency, increased market value offered by the company, innovation creates economic effects and consequences for society. Moreover, innovative management, organizing working process and human resources together with the ability to anticipate market requirements and trends in development, contribute to the success of other directions of innovation[1].

Innovation is usually regarded by managers and others interested individuals in the company as a long term investment. But, there is a possibility that, many of these investments to be viable and profitable in the short and medium term. If we adopt innovation as an approach which solves a problem, then employees' flexible work is an innovation, because it looks of the fulfillment for their needs.

3.1. Flexiwork - effect of innovation at work"

In the global economy, knowledge-based economy, the growing importance of free time, place all a question of flexibility in production, labor, hierarchies and structures. Innovation at work not only new ways of organizing work, but also new ways of developing the potential for innovation and creativity of employees. In this respect, leading to increased flexibility of employees work their creative potential as people, bearers of culture, are different and how they work, and their efficiency at work is different: some individuals get great results if you work in very rapidly, at certain times of day, others work more slowly, thoroughly solving things. Diversity represent a source of creativity and innovation.

Flexibility at work is the opportunity for employees to change working time taking into account personal and family problems, but also the needs and objectives of firms. However, employees who have time to meet their essential and existential needs will be more motivated to work better, getting the results expected by employers. Freedom given by a flexible working time leads to increasing innovation and creativity of every individual.

Innovative projects are funded by the European Union in the hope that investments in skills and innovation will be reduced during the crisis. Such a project co-financed by European Social Fund Operational Program Humane Resources Development 2007-2013 - Harmony[8]. Innovative measures to reconcile work with family, brought to the attention of employees and employers Romanian innovative practices and creative solutions in work organization in Italy and other European countries to promote equal opportunities on interregional labor market.

Thus, Romanian employers, and employees were informed on how, and revealed practices in the field of flexible working hours and benefits of their implementation. The three solutions of flexible work project proposed by Romanian employers and employees are short hours working time or part-time, job share, flexi

time, tele-working, project work and intermittent work[8].

Part-time is the result of rules reduced from 17.5 to 28 hours per week and job share is a form of work organization resulting in a post division by two or more part-time employees.

In our country, in some industries, for example in IT & C, the flexi time practice, flexibility practiced on the arrival, departure and break time. Also, tele-working, a result of the new information technologies is already applicable in dynamic sectors, based on the use of electronic media activity. As such, employee's activity elsewhere than in the operational units of employers leads to this modern form of work organization.

In knowledge-based economy or, as some experts, the knowledge economy, competitiveness of companies is provided by the development of networks of companies, partnerships and joint development of products and services. As a result, the organizational, regional, interregional, national and global projects are developed more or less large scale. In this context, work on the project becomes absolutely necessary, which is actually the newest and most modern form of flexible work.

The services sector, sector predominantly affected by the current economic crisis, competent people with experience are called to carry out their specific training, intermittent and discontinuous.

3.2. Advantages and disadvantages of flexi work

All these forms of work organization are possible if the entities involved (employers and employees) are willing to win together. The employer will get an increase in employee productivity, will be spending cuts staff, while employees want additional material gains, will work where, how and when they want and, most importantly, will save time.

Implementation of pilot project results show that flexible working helps to increase productivity by: reducing the distracting elements of employee work, reducing the time lost in transit by employees (including due to traffic or weather conditions), reduce absenteeism sick leave due to light illness,

eliminating the risk of transmitting diseases to other employees, employees can work at unconventional hours, etc..

Also, employers will have fewer fixed costs arising from ensuring normal working conditions (equipment, tools, workspace, environment, etc..), And specific investments, for example, new product development projects and / or services , new business units, etc.

Flexible employees will contribute to lower labor costs by reducing staff specialized personnel costs (being able to appeal to such persons only in certain cases), reducing overtime costs we (employees perform their tasks when they want, which will lead to elimination overtime work by streamlining and reducing downtime of the work), the elimination of personnel costs of business downtime, etc.

Companies that organize their work in a flexible manner will benefit not only from the reduced expenses but also from the skills, competencies and experience of specialists in different fields. And employees harmonizing flexible life can get additional income, they can cover more working time, can reduce their travel expenses and other costs (food, clothing, footwear, etc..), will be able to manage effective career etc.

It is true that there may be difficulties in communication processes, and social integration at the organizational level but can be reduced and even eliminated if the companies will establish, develop and implement strategies focused on customer, quality, flexible organization of production and work on organic organizational structures, flexible, entrepreneurial culture, the innovation and creativity based

3.3. The implications of flexible working on increasing the competitiveness in Romanian companies

Balancing work-life, as a result of flexible work, generate more motivated employees, efficient, competent, responsible and loyal to the organization, which increases the competitiveness of these firms employing.

Flexible work evidently requires organizational and flexible hierarchies, and a flexible organization of production. This means that companies will have organic

charts, flexible, that will constantly adapt to changes in their environment action. As such, flexible entities will survive and will grow even in conditions of crisis by increasing their competitiveness.

Flexible work will also generate maximization of customer satisfaction by providing products and/or service quality, as required by them (even outside working hours, wherever, whenever and however) and the increasing number of loyal customers of the company.

The idea of flexible working time is a characteristic of knowledge-based economy, sustainable and profitable especially in the economic crisis, firms have to seek to identify competitive advantage for survival and/or development.

4. Conclusions

In the context of globalization and especially the global economic crisis, companies are required to develop appropriate socio-economic strategies, realistic and pertinent, to remain competitive in the long run. Increasing the quality of goods and services and maximize short term profits are no longer sufficient.

At present, efforts should be focused companies to customers by maximizing their satisfaction. Thus, based on customer approach as Kotler's marketing philosophy, company internal customers are equally important, sometimes more important than external customers. Company's internal customers, namely its human capital are the essence of a synergistic social and economic entity. Therefore, innovation in work by its flexibility is an effective way of meeting the needs and desires of employees of companies, which provides a highly competitive, regardless of socio-economic

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The Impact of International Financial Crisis on Bank Lending to Households. A VAR Approach

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Abstract

The recent international economic and financial crisis has led to a sharp tightening of lending activity. For the banking system the shock was so strong that its ability to lend to the real economy played and still plays a major role in exacerbating the current crisis, which in turn undermines the strength of banks, highlighting the existence of a continuous mutual potentiation.

The objective of this paper is to test, considering the Romanian case, the impact of the strong reduction of gross domestic product growth on banks lending to households. In order to do so, we use a vector autoregressive (VAR) model. The main results of VAR analysis indicate a positive relation between GDP and loans to households, but also the fact that a small share (less than 10%) of the variation in lending to households was determined by a shock of gross domestic product variable.

Key words: credit crunch, VAR model, financial crisis, loans to households.

J.E.L. classification: E51, C32, G01.

1. Introduction

Before the outbreak of the international financial crisis, in a period of significant development of lending activity (with the very high growth rates generally seen as a step forward in the catching-up process [1]), Romanian credit institutions were mainly focused on retail activity, leading to a strong increase in households loans, particularly in consumer credit. Thus, the annual real growth rate of credit to households was 66.2 percent (2004-2005), 76.4 percent (2005-2006), 70.6 percent (2006-2007) and 30.5 percent (2007-2008) [2].

Non-government credit growth slowdown due to adverse domestic macroeconomic evolutions, particularly to those related to gross domestic product, unemployment and wages, tighter lending standards and terms, currency depreciation and increased exchange rate volatility, the sudden stop of parent bank financing and the worsening of financial prospects for households and companies were visible starting with the last quarter of 2008, both for loans to households and firms- so that in 2008, real growth rates decreased from 2.7 % (2007) to 1.3%.

The year 2009 marks the entry into negative territory for both components of non-government credit (-3.6 percent for loans to households and -3.7 percent for loans to non-financial corporations).

For households, in 2010, the negative annual real growth rate accelerated (up to -5.6 percent), while for corporations loans narrowed only marginally (-0.4 percent). Higher negative annual rate in respect to household's credit was due to the strong reduction of the consumer credit component.

2. Methodology and data

The construction of a VAR model is based on considering both variables involved as endogenous or dependent, and not assuming from the beginning the exogeneity of one variable [3]. It is the case of such an assumption, given the bilateral relationship between the two variables.

The imbalance of lending activity has many implications, especially in the sense of economic contraction (lower GDP); in turn, the reduction of economic growth affects lending activity. This is the main reason why we analyzed the relationship between the two variables using a vector autoregressive (VAR) method.

Vector autoregressive model also highlights properly the impact of innovations (shocks); actually, the residual error on variables taken into account [4]. Thus, the value of each variable is influenced both by its own shocks (innovations), and the shocks of other variables, which justifies, once again, the use of VAR to capture the interlinkages between our variables, namely *GDP* and the volume of *household loans*.

Academic literature offers a series of large studies analyzing the effects of monetary policy on the financial system or the real economy. In order to point out the macroeconomic implications of monetary policy decisions or the effects of real economy imbalances, the VAR model was used in a wide range of works, such as those of Sims (1980), Christiano, Eichenbaum and Evans (1999), Peersman and Smets (2001), Angeloni, Kashyap and Mojon (2003), Antohi, Udrea and Braun (2003), Egert and MacDonald (2006), Haan et al. (2007).

Based on a VAR analysis, Lown and Morgan (2006) showed that the changes of credit standards strongly influence credit volumes, real GDP and investments in the commercial sector. In case of tightening of these standards, lending activity and production levels will decrease [5].

More recently, Ciccarelli et al. (2010) used a VAR model with data from surveys on country-level bank lending to assess the impact of macroeconomic changes on credit standards, making a distinction between credit supply factors and demand factors.

The authors focused on the current financial crisis and examined the role of bank balance sheet constraints in reducing GDP under the influence of credit risk provisions and concluded that indeed, restrictions in corporations credit supply played an important part in the decrease of Eurozone output growth. However, stricter standards for mortgage loans in the U.S. have significantly contributed to the GDP lowering [6].

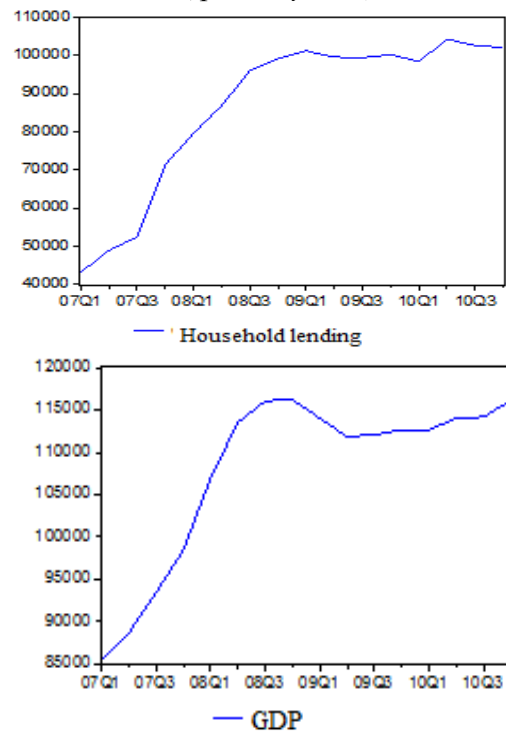
Bassett et al. (2010) use the information from Senior Loan Officer Opinion Survey to obtain "unexplained changes" in lending standards, interpreted as pure effects of credit supply. Based on a VAR analysis the authors prove that loan supply shocks have important economic implications on real GDP and lending capacity [7].

While all these studies analyze the impact of lending fluctuations on real economy (which are in fact monetary policy transmission mechanism-orientated), this paper considers the reverse relationship, namely the influence of GDP growth slowing down on credit, particularly on loans to households.

The simplest form of a VAR model tries to explain the mutual influence between two variables due to the direct effect of the same variable values from previous periods and the values of the considered variables [8]. For example, as it is the case, the loan reduction starts from its previous values (lags) and the previous values of gross domestic product.

The above-mentioned model will be implemented by using as variables GDP and the volume of loans to households. Time series are available on the website of the Romanian National Institute of Statistics (www.insse.ro) and interactive database of the National Bank of Romania (www.bnro.ro). We work with seasonally adjusted quarterly data.

Figure 1-2. Evolution of household lending and GDP in Romania in the period 2007-2010 (quarterly data) -mil. RON-



Source: The National Bank of Romania and Romanian National Institute of Statistics databases, 2011

In order to avoid heteroscedasticity problems we'll use logarithmic series. However, in subsequent interpretations the variables will be treated as elasticities (for example, an increase of gross domestic product by x percent, generates a reduction/increase of the credit volume by y percent).

3. Results

For checking the stationarity of a time series we use the two tests, Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP). Under the null hypothesis the series has a unit root (is non-stationary). If the probability is greater than the significance level we accept the null hypothesis. The results for the *households' loans* variable are presented in table 1:

Table 1. Testing for the stationarity of "loans to households" variable

Augmented Test	Dickey-Fuller	t-Statistic	Prob.*
		-3.861220	0.0120
Significance level	1%	-3.959148	
	5%	-3.081002	
	10%	-2.681330	

		Adj. t-Stat	Prob.*
Phillips-Perron Test		-4.292457	0.0054
Significance level	1%	-3.959148	
	5%	-3.081002	
	10%	-2.681330	

Source: authorial calculation

According to the results, the *volume of loans* is a stationary variable (we reject the null hypothesis of a unit root presence because the probability is smaller than the 5% significance level).

Reformulated in econometric terms, the variable is integrated of order 0: $I(0)$. The same tests will be used for the GDP variable, confirming its stationarity. In order to determine the number of periods used we run an exclusion test for insignificant lags (VAR Lag Exclusion Wald Test). The test results are shown in Table 3:

Table 3. Lag Exclusion Wald Test with no significant influence on credit to households - the case of Romania

	L_LH	L_GDP	Joint effect
Lag 1	8.983578	123.2892	126.7419
	[0.011201]	[0.000000]	[0.000000]
Lag 2	0.665426	38.69414	43.61584
	[0.716976]	[3.96e-09]	[7.71e-09]
df	2	2	4

Source: authorial calculation

As shown in table 3, the first period or in other words the values of variables in previous quarters, and their joint effects have a significant influence on the evolution of the dependent variable as p probability (highlighted in square brackets) is smaller than the significance level. Lag 2 is significant for gross domestic product or, reformulated, lending activity reacts both to GDP from the previous quarter and the quarter before. As such, we consider a number of two lags. The VAR model results are presented in table 4:

Table 4. The VAR indicating the relationship between the volume of household's loans and GDP in Romania (2007-2010, quarterly data)

	L_LH	L_GDP
L_LH(-1)	0.394555	0.200486
	(0.33997)	(0.05989)
	[1.16057]	[3.34770]
L_LH(-2)	0.123255	-0.024530
	(0.28143)	(0.04958)
	[0.43796]	[-0.49480]
L_GDP(-1)	1.517262	1.104218
	(0.83377)	(0.14688)
	[1.81975]	[7.51807]
L_GDP(-2)	-0.753017	-0.732210
	(0.93013)	(0.16385)
	[-0.80958]	[-4.46880]
C	-0.005472	4.068910
	(4.92143)	(0.86695)
	[-0.00111]	[4.69338]
R-squared	0.939290	0.983295
Adj. R-squared	0.912308	0.975871
Sum sq. resids	0.029086	0.000903
S.E. equation	0.056849	0.010014

F-statistic	34.81134	132.4405
Log likelihood	23.37077	47.68006
Akaike AIC	-2.624395	-6.097151
Schwarz SC	-2.396160	-5.868916
Mean dependent	18.32657	11.61447
S.D. dependent	0.191973	0.064469
Determinant resid covariance (dof adj.)		2.67E-07
Determinant resid covariance		1.10E-07
Log likelihood		72.40055
Akaike information criterion		-8.914365
Schwarz criterion		-8.457895

Source: authorial calculation

The VAR model equation is:

$$\begin{aligned} \text{Log_LH} = & 0,394555 \times \text{Log_LH}(1) + 0,12325 \\ & 5 \times \text{Log_LH}(-2) + 1,517262 \times \text{Log_GDP}(1) - \\ & 0,80958 \times \text{Log_GDP}(-2) + 0,005472 \end{aligned} \quad (1)$$

The results of VAR analysis indicate a strong and positive connection. The lending level increases as a result of GDP growth from the previous quarter. As shown in Table 4, in this case, the most influential variables are: the *volume of lending* in the previous quarter (acting as a psychological factor: increased lending in the previous period could stimulate population to lend even more) and the *gross domestic product* of the previous period (the economic contraction from quarter_{t-1} has visible effects in quarter_t when, because of restricted financial resources, there is a need for economic austerity measures both in the state and private sector). The second lag variables lose influence on the dependent variable. Commercial bank lending activity is less responsive to indicators made 4 or 7 months ago, being strongly connected to the changes of macroeconomic environment from the last quarter.

4. Analysis Robustness

The VAR model is confirmed if all conditions of stability, no serial correlation and normal distribution of errors are met. We verify the stability by applying AR roots test as graph and table. The results are presented in table 5:

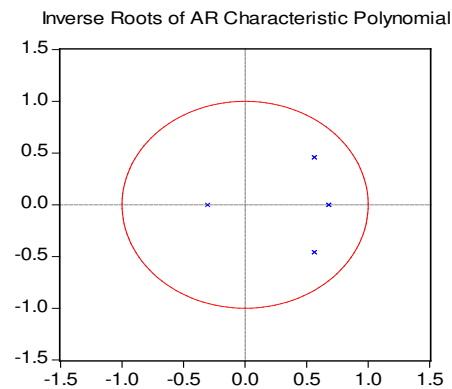
Table 5. The verification of VAR model stability based on AR table

Roots	Module
0.562228 - 0.458328i	0.725372
0.562228 + 0.458328i	0.725372
0.678743	0.678743
-0.304426	0.304426

Source: authorial calculation

According to table 5, the VAR model has four roots: two real and two complex with the same module value. In case of subunitary roots we have a stable model. Next, we verify model *stability hypothesis*. The graphical representation of the table indicates the same conclusion (VAR is stable if no point exceeds the circle).

Figure 3. The verification of VAR model stability based on AR Graph



Source: authorial calculation

The hypothesis of *no serial correlation* of error hypothesis is checked based on Portmanteau and LM autocorrelation tests. Portmanteau test verifies the partial correlation up to a specified lag-usually one level higher than the VAR model order (in this case, the first 3 lags). Null hypothesis states the lack of serial autocorrelation.

Table 6. Residual Portmanteau Tests for autocorrelations

Lags	Q-Stat	Prob.	Adj Q-Stat	Prob.	df
1	5.975531	NA*	6.435187	NA*	NA*
2	7.872287	NA*	8.648069	NA*	NA*
3	8.321542	0.0805	9.219848	0.0558	4

Source: authorial calculation

The value of p , greater than the 5% significance level allows us to accept the null hypothesis and to assert that there is no serial correlation between errors. The results are also confirmed by multivariate LM test for partial correlation up to a certain lag. To confirm VAR, we apply one last test, for the normal distribution of errors.

Table 7. Testing for normal distribution of errors

Component	Skewness	Chi-sq	df	Prob.
1	0.065819	0.010108	1	0.9199
2	0.085586	0.017092	1	0.8960
Joint		0.027200	2	0.9865
Component	Kurtosis	Chi-sq	df	Prob.
1	1.800988	0.838617	1	0.3598
2	1.173250	1.946593	1	0.1630
Joint		2.785210	2	0.2484
Component	Jarque-Bera	df	Prob.	
1	0.848725	2	0.6542	
2	1.963685	2	0.3746	
Joint	2.812410	4	0.5897	

Source: authorial calculation

Table 7 displays the results of testing the distribution of residuals. All assumptions of normality are accepted due to a p -value greater than the significance level (5%) for each situation. The positive and close to zero asymmetry coefficient reflects a growing trend of model errors. Kurtosis coefficient is smaller than 3, which means a low probability of extreme events occurrence that would rapidly and strongly influence bank lending activity.

5. Granger causality test

According to Granger causality test, we accept the null hypothesis (GDP change is not a causal factor for the volume of short-term loans), as the probability value is greater than the significance level. Under these conditions, it can be said that gross domestic product does not influence the amount of short-term loans to households by separation from the external environment.

Table 8. Short-term Granger causality test

Dependent variable: L_LH (natural logarithm of loans to households)			
Excluded	Chi-sq	Df	Prob.
L_PIB	3.314325	2	0.1907
All	3.314325	2	0.1907

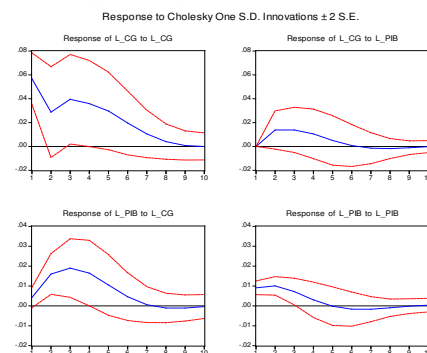
Source: authorial calculation

It should be noted that such tests must not be interpreted as causal but only consistent with genuine causality, meaning that the effect has to succeed the cause.

6. Response function to shocks

All VAR model assumptions were verified and now we can proceed to analyzing credit response to external shocks (Impulse Response) and to decomposition of the influences acting on loans to households volumes by separating gross domestic product from other influencing factors (Variance decomposition). Graphical representation of credit response to changes in gross domestic product levels is illustrated in figure 4.

Figure 4. Variables response to shocks affecting their evolution



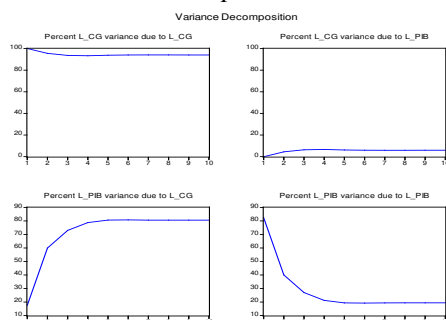
Source: authorial calculation

As can be seen, loans volumes respond significantly to shocks occurred in lending activity and to a lesser extent to shocks affecting gross domestic product dynamic. GDP growth leads to upward changes in the volume of lending in a period of two quarters. Instead, GDP decrease generates a reduction in lending activity after 5 quarters. However, the results validity is influenced by the presence of the 0 value, which highlights the lack of response to shocks (the results are not statistically significant).

7. Decomposition of variance (dispersion)

The influence of economic downturn on lending activity can be separated, as figure 5 shows:

Figure 5. Variance decomposition



Source: authorial calculation

In our case, GDP changes explain less than 10% of lending amounts variance. The largest proportion of credit variance is determined by its own innovations, with a value of almost 90%.

8. Conclusions and future research

VAR analysis results reflect a positive link between *GDP* and *credit to households'* variables.

The three main results returned by VAR analysis were:

(i) *Response function to shocks (impulse-response)*: the volume of lending to households reacts significantly to lending activity shocks and to a lesser extent to shock affecting gross domestic product. GDP growth has led to an upward change in the volume of lending within two quarters. Instead, GDP decrease generated a credit reduction after 5 quarters. However, the results can be challenged because of the 0 value 0 presence in the confidence interval (which means that the results may not be statistically significant).

(ii) *Variance (dispersion) decomposition*: a small share (less than 10%) of loans to households' changes in the considered interval was determined by a *gross domestic product* variable shock. The largest proportion (90%) of *loans to households'*

variable variance in the same interval was due to its own innovations (shocks).

(iii) *Granger causality test*: gross domestic product does not affect the amount of short-term loans to households by separation from the external environment. It should be noted that such tests cannot be interpreted as causal, but only consist with genuine causality, meaning that the effect has to succeed the cause.

Given that after the start of the international economic and financial crisis started we noticed an increase of credit institutions preference for investments in government securities amid a sense of risk aversion of banks, but also of large budget deficit, which led to a strong growth of government loans (with 157.3 percent in real terms in 2009 compared to 2008) and in the same time a sudden increase of non-performing loans, the quality of bank loan portfolios recorded a marked worsening (NPL ratio and risk credit ratio as key indicators used by the NBR in its financial stability reports displayed a sharp increase, of about 8 and 5 times in the last three years), we indicate as future research a VAR analysis considering *gross domestic product* and *government debt* as variables, respectively, *gross domestic product* and *outstanding amounts of debt service*.

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Considerations regarding the Effects of Economic Crisis on Employee Communicational Behavior

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Abstract

The economic crisis has caused significant changes in socio-economic entities strategies. In conclusion, firms were obliged to develop strategies for crisis as a result of their focus on customer, without understanding the customer as an employee. Moreover, strategic changes are not the result of company development, but as a direct effect of economic context. Otherwise, firms do not reflect the strategic communication behavior of their employees. Therefore, such a strategy may not be viable and even less in the crisis.

Key words: employee, crisis, behavior, communication, strategy

J.E.L. classification: M5, J24, E24, D83

1. Introduction

Some of the obvious manifestations of the global economic crisis are lower sales volume, decreased number of clients, budget, liquidity crisis, reduced investment, loss of competent human resources, etc. The solutions adopted by many companies in the current targeted the decline of investments, lowering any kind of costs, especially in marketing and personnel cuts. The new mentality emerging on the market is "customers at any cost", i.e. retain existing customers and attract new customers. But this approach doesn't relies, mostly, on studying customer needs and identify the competitive advantages of firms, but on company's products discounts, combined offers and other advantages for customers. So companies only interested in customers are

ignoring employees (internal customers of the firm) and sometimes even market products and services.

But short-term solution for reducing costs, lowering personnel costs, adopted in 2009 by most companies, should be avoided at present, because not only potential buyers of their products and services have changed their behavior, but global economic crisis is also manifested in changing employee behavior. According to the study "Emerging from the Downturn - Global Power of Retailing 2010" conducted by Deloitte buyers purchase goods according to their value, lean towards their own brands, buy small quantities of products, preferring self-consumption, brands known and well-grounded economic purchases. In this sense, economic entities, concerned with the efficiency of their business will invest in their brands, to attract valuable work force, the choice of effective and even relocation sites, the foundation and development of strategies for attracting and retaining customers has customers and effective communication strategies with them.

2. Strategy to focus on client - effective strategy in times of crisis

The economic crisis has changed the behavior of internal customers (employees) and external (clients, customers) firms, with visible effects on how they developed their profits. Focus on client approached as Kotler's marketing philosophy[1] is in the current context, sometimes the only chance of survival for some firms and certainly an effective way of development of all socio-economic entities. Especially since, in the

knowledge economy, economic relations, the focus is on innovation and building networks. This increases the competitiveness of companies, in firms to face competition, moving from a philosophy based on the product and sales, to one based on the customer and incorporating the concept of marketing. Companies are required to provide quality products to their customers, so they are likely to throw customers into the crisis arms. Also, firms need to maintain quality of the products they sell because the current customer is a modern one with higher education and increasingly higher expectations. Thus, the success of companies in the economic crisis is no longer achieved by improving what is already known, but by mastering the unknown, and is the ideal way to unlock opportunities agility and reaction speed networks that companies are willing to build. This is because firms are related to a customer destiny, competitors, and their members and, of course, on their action environment. In fact, today, in order to gain customer loyalty and getting new ones, firms make strategic alliances with suppliers and distributors, on their desire to offer better products/services to final customer. This leads to the development of marketing networks formed by company in question and all suppliers, distributors and its customers, with whom it has established close ties of interdependence.

Customer-oriented strategy requires, first, define and research its needs. Thus, the company will give customers what they require, what they need or what it is really necessary. Of course, customer satisfaction in this way involves a thorough study of the market. Especially that, companies are aware that a loyal customer can mean a significant source of income over a long period of time. Also, a customer-oriented company will periodically review the level of customer satisfaction, establishing and improving its main objective.

In the context of economic crisis, all companies should be customer oriented. Of course, any change in company strategy known three major obstacles: resistance organization, the slow pace of learning and tend to forget quickly[1]. Passing the company on customer orientation is possible because in the global economy will be based

on education for lifelong learning. Moreover, in the customer oriented companies, all functions work together in order to know, serve and satisfy consumer, because company without customers has no value.

Often, to achieve the main objectives, such as survival, market share, increase sales volume, increased profits, etc., firm's strategy is to enhance customer satisfaction, giving them a high degree of comfort, after-sales service, a quality product at a fair price, etc. But this strategy can be viable if firms have *competent staff* that is willing to provide quality services to customers.

3. Communication behavior of employees in the economic crisis.

In the knowledge economy and, especially, in conditions of economic crisis, educated workforce is crucial to increase productivity and promote innovation, although many companies have abandoned their valuable employees with the purpose of lowering all costs.

Specialists and practitioners know that the basic rule of customer loyalty campaigns substantiation refers both to the knowledge of customers, their needs and desires and their purchasing habits and motivate sales forces, or employees[6]. The implementation of client-centered strategy also involves choosing the most effective communication channels with customers. Profitable management of existing and potential customers represents a goal of all managers in crisis.

Connect to this reality by focusing on customers is a necessity, especially given the global economic crisis. This situation requires a strategic vision both in leadership and in business activity, and strategic approach to communication is a way of ensuring a certain level of performance of a business based on customer needs and desires and all business partners. Such an inward orientation of the company (employees) and external (clients) requires a process of integration of current actions in future conduct that subordinate them, ultimately, long-term objectives. In this respect, in any company must be a vision in terms of communication because the company,

consisting primarily of people, means communication[5].

In the knowledge economy, communication behavior has got universal facets, being improperly used in explaining institutional deficits and global communication seems to direct the contemporary models of social development[5]. In this context, communication, essentially a phenomenon, a process, an art and a science is required in company, regardless of how privileged manifestation of interactions between the firm and the environment[4]. Communication offers scientific support, theoretical and practical which can provide a high efficiency activities of the enterprise communications by generating a culture in which all organizational members have awareness of the market, product and company[5].

But a study in a socio-economic entity from the field of services regarding the communicational behavior of employees found that they communicate more informal, rumors and gossip being the usual forms of verbal communication. Within the organization communication process considered the following components: source, transmission, message, channel, receiver, context, recipient, source of noise. Discussions, dialogues, meetings, exchange of ideas through words, gestures, attitudes, employee communication behavior reflects the negative feelings of inequity within the organization. Loyal employees are very unhappy with the situation and amplified organization management.

Analyzed entity communicates with whole baggage of causes and effects which formed the basis of the past communications acts both inside and outside. A beneficial element in the efficient conduct of business communication is recognizing that the whole organization is going through a process of change as a result of communication with its external environment (change legislation, global economic crisis, demographic decline, etc.). Moreover, the communication accompanied the change.

Rewarding employees is poor, with no coherent policy of reward. Although there is a tendency to involve employees in making decisions that affect them directly, the

information provided about the situation of the organization are not real. Experts agree that in bad economic times is very important that employees receive some security of employment so as to not be affected productivity. As such, in the analyzed organization, employees have workplace safety, but this is the result of their promotion activities of the entity among beneficiaries and their work with good and very good communication and not as a result of the organization reality communication by top management.

Any economic entity should consider in fundament and elaborating strategy by the fact that the actions and events company internal and external customers are influenced by the needs and the needs of each individual and the action of economic factors, social and psychological. As such, communication behavior of employees is deeply changed in a negative way, which contributes to the disruption of activities. Stress at work is the result of conflicts arising from the sense of inequity within the organization. This is because there is no clearly established reward system; employees on the same post with different wages set without taking into account the skills and abilities of each individual separately. The crisis has brought to the stress and fatigue studied entity, and the lack of common sense of senior management has fueled existing tensions. Internal climate is unproductive because senior management does not motivate employees by recognizing individual merit and contribution to the development entity. This is because not all employees are equally important for top management, as beneficiaries of the entity. Negative effects have already shown the departure of people who have found employers to respect the professional aspect. Moreover, although communicated performance standards that relate to organizational members, evaluation, control and motivate staff ignores them.

Senior management plan overall resources, without sharing resources in each department in accordance with results obtained by them. So the profit in two departments used to cover the needs of other departments within the whole entity. This policy creates tensions and conflicts between departments and non-

transparent communication lead to changes in communication behavior of employees.

Studied entity may use certain measures to increase employee satisfaction, with minimal costs to change their communication behavior by[7]:

- creating a sense of internal fairness in the way that no one should be favored, and resources must be allocated according to the results obtained by each employee and operational structure;
- clear communication of unpopular measures: employees will feel that this company do everything possible to improve working conditions and at least will not live in uncertainty, not knowing what awaits them;
- internal communication accomplishments of the organization;
- consulting employees the most important measures;
- providing all employees unpretentious meals at special occasions in the life of the entity;
- accurately assess employee performance and recognize the work and its value by honorary degrees, messages of thanks, awards, etc..;
- implementation of internal training sessions, etc..

The organization is characterized by a specific communication behavior since the communicational process supports the influence of entity personality, reflecting mainly the personalities of the founders. The organization interacts with the environment in which they operate, under its cultural uniqueness footprint and employees communicate with their entire life experience, by virtue of their personalities. Thus, the specific communication behaviors of employees, which may occur, are the result of the influence of internal and external factors, and derives even from the way each employee interacts with management entity.

4. Conclusions

Given that the effects of the global economic crisis are becoming increasingly hard to bear at an individual, organizational, and societal is required the organization of the firm under the concept of social marketing. The concept of social marketing claims that the task of a firm is to determine the needs, requirements and interests of internal customers (employees) and external ones (buyers) and provide the satisfaction expected in a more efficient way than its competitors, so as to maintain or increase welfare recipients and society in general. In this way employees are treated by companies as their loyal customers, communicative behavior becomes positive, which is reflected in achieving high performance by any socio-economic actor.

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Management Particularities of Banking Institutions. Case Study: BRD - Groupe Societe Generale and Transilvania Bank

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Abstract

Bank management can be defined as a set of knowledge, concepts, principles and methods, which through a corresponding mix of material, financial, human, information elements available to a bank on the one hand, and the environment in which operates on the other hand, ensure that the objectives for which the bank was founded are achieved. This paper presents comparative analysis of two banking institutions in terms of bank management.

Key words: banking sector, management, performance, resources.

J.E.L. classification: M 21

1. The concept of bank management

If we consider what happens now with the global vision of the organizational environment, which are the main changes taking place in the business community, we are entitled to say that management as a whole, will restructure.

An important component of the organizational landscape is the banking system. In any developed country, the economy can not function without the existence of performance under a coherent and stable banking system. Moreover, in the globalized world economy, the role and functions of banks increases continuously[1].

Although banks and, in general, the banking system operates according to specific objective laws, essentially they are pursuing the same common goal: planning, organizing and coordinating

resources to achieve best results. Maximizing profits coupled with maintaining a permanent liquidity could be the main attribute of bank management. In defining the content of management in general and bank management, in particular, it is necessary to relate the triad: resources, organization of resources and the ultimate goal[4].

Bank management is *the coordination process of human resources, information, physical and financial, to achieve the banking organization goal, or more complex, bank management can be defined as a group of activities that include planning and decision making, organization management and control orientation towards human resources, financial, physical and information of an organization to achieve its objectives efficiently and productively*[3].

The bank management goal is to maximize the profit, including an action under the minimum risk exposure and comply with the restrictions imposed by regulators. As a global strategy for maintaining the viability of the bank is to create conditions for its activity now and in the future.

2. BRD - Groupe Société Générale S.A. and Transilvania Bank S.A. – general presentation

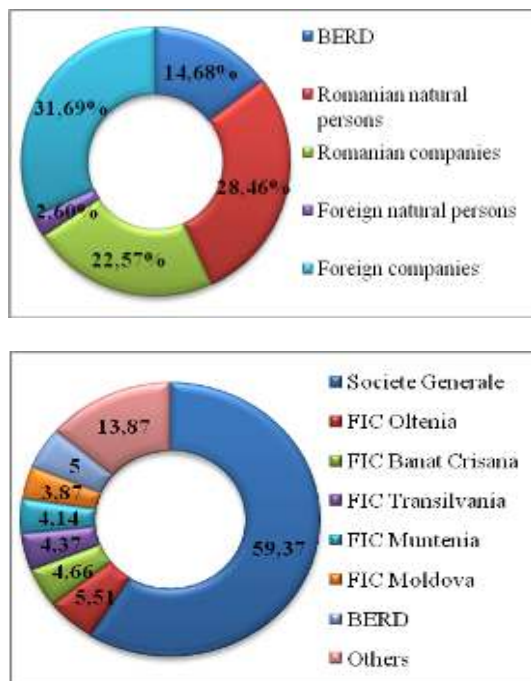
The following are the two financial groups, representative of the Romanian financial market, how they are organized, and ownership structure.

BRD - Groupe Société Générale is the second Romanian bank after bank assets and holds the second capitalization on the Bucharest Stock Exchange. The Bank is present in all the counties through a network

of 937 agencies and over 9.500 employees. At the end of 2010 BRD counted 2.5 million individual and corporate active customers and more than 2 million cards included in the 3D Secure. Transilvania Bank ranks fifth on the Romanian market, after banking assets and in 1997 became the first banking institution in Romania, which was listed on the Bucharest Stock Exchange.

The two financial institutions operating on the Romanian market have different **shareholder structure**, both in composition means, and especially its dispersion. Both companies are listed on the Bucharest Stock Exchange, Transilvania Bank was listed since 1997 (becoming the first Romanian bank listed) and BRD was listed on 2001, over the years has become one of the most traded companies.

Figure 1. Shareholder structure for Transilvania Bank and BRD, 2010



Source: own processing on data available at: <http://www.brd.ro/banca/profil/actionariat/> and http://www.bancatransilvania.ro/bt/despre_noi/structura_actionariatului.html

BRD administrative process is influenced to a large proportion of other shareholders such as, financial investment firms, EBRD or other shareholders, natural or legal persons. This is very important from the perspective that the administrative process of BRD included many interests, visions, experiences

and information compared to Transilvania Bank, which anchors BRD activity better in the market.

Transilvania Bank is the largest banking institution with Romania major shareholder and the European Bank for Reconstruction and Development, which owns 15% of the share capital is a significant shareholder. Although the bank is listed on the Stock Exchange, shareholder structure is compact, consisting of natural and legal persons, Romanian and foreign, EBRD.

Besides shareholder structure, are interesting and useful observations about the **structure activities** of these two financial companies. Thus, the following are detailed subdivisions which form the two financial companies. In the table below are summarized some similarities and differences between how these two financial companies have shared group activities.

Table 1. Differences and similarities between the structure of BRD and BT groups

Activity	BRD		BT	
	Da	Nu	Da	Nu
Natural person funding, cards management, consumer loans etc.	X		X	
Leasing	X		X	
Operating leasing	X		X	
Corporate Finance	X			X
Factoring		X	X	
Retirement fund management	X		X	
Brokerage and financial investment		X	X	
Medical Leasing		X	X	
Asset management	X		X	
Life insurance	X			X

Source: own processing

Based on these elements, related to the organization and shareholder structure of the group can draw some conclusions. SoGen BRD shareholder structure is more dispersed compared to the Transilvania Bank, which gives it a more concrete information from the market, extra experience and greater transparency of the activities. They seem to be advantages of SoGen BRD and is emerging idea that Transilvania Bank would

be lower than BRD, but it is not true. Transilvania Bank carries out several activities on the Romanian market than SoGen BRD, which helps at least two levels: the dispersion of market risks and the opportunities.

However, Transilvania Bank, has a group structure more detailed in terms of activities and how they are grouped into independent legal entities, which makes the management process within them to be more easily, their organizational structures to be efficient, the range of activities related to each entity to be smaller and more manageable, risks are more manageable, opportunities of each activity to be more easily exploited.

3. Bank management - comparative analysis of two banking institutions

In the following are presented aspects of management of two largest banks operating on the Romanian financial market, such as vision, mission, values, purpose, objectives, profit, environment, opportunity, market share.

3.1. Analysis of external environment

Romanian financial environment was not very favorable for the development banking and financial activities in the past two years. This state has mainly two main reasons: the global economic recession and the inability of governments to cope with new situations and to stimulate the national economy.

The main coordinates which characterized the Romanian economic environment during 2010 are summarized as follows: the annual inflation rate rose to 7,96% level in December 2010, has fared well above targets set by The National Bank of Romania, the national currency had a fluctuating evolution, often unfavorable for both banks and for other companies, the exchange rate reached maximum 4.3688 Ron/Eur in June and minimum of 4.0653 Ron/ Eur in March, the rate monetary policy has made the value of 6,25%, real wages fell by 6,4% in 2010, consumption fell by 1,1% in households in 2010, retail trade fell by 5% , budgetary salaries decreased by 25%, VAT increased from 19% to 24%, Romania's GDP decreased by 1,2% in 2010, less than official

estimates of the authorities, who anticipated a reduction 1,9 - 2%.

3.2. Transilvania Bank and BRD Bank - vision, mission, values

The two banks, BRD and Transilvania Bank presents the following characteristics related to vision, mission and values promoted by their management and the whole set of activities, services and products.

Table 2. Vision, mission and values of BT and BRD SoGen

	Vision	Mission	Values
BT	Innovation, dynamism, quality, high quality services.	Long-term partner for all customers, wide range of products, high standard of quality.	Customer needs, high professional standards, flexibility.
BRD	Innovation, respect, growth and profit by the high quality of customer service.	Developing goodwill through a strategy of long-term partnership with its customers.	Quality, motivation, performance developing companies.

Source: <http://www.brd.ro/banca/profil/> and http://www.bancatransilvania.ro/bt/despre_noi

From the data above we can see that the two banks share many similarities in terms of vision, mission and values they promote. Innovation and long-term partnership with their customers are central issues in the management of these two companies and the quality services and products.

The two banks differ in terms of values, declarative speaking, that Transilvania Bank promotes customer satisfaction, increase company value for shareholders and support entrepreneurship, and BRD SoGen that refers that preparation, performance and motivating employees are very important to support customer needs and the development of companies and municipalities. It is necessary to underline that BRD recognizes the importance of human resources.

3.3 The main objectives banks

In the current internal and external context, difficult management priorities are related primarily to improve operational efficiency, gaining additional market share and reach first place in the top commercial banks in Romania. However, BRD and BT are two companies that are differentiated by strategic objectives that lead to different ways of achieving the ultimate goal, to be the first bank in the Romanian market[5].

SoGen BRD brings its priority objectives of the strategic field such as innovation, sustainable profitability and adaptation of organizational structure and activities to market demands, which distinguishes it from Transilvania Bank that focus more on customer needs, satisfaction of shareholders and expansion territorial. These are logical and because the two banks are different because the number of units in the territory, the number of employees and as a starting point in their activity on Romanian financial market.

The BRD objectives are to keep relationships with customers, support them, when they are in difficulty, creating products for a diverse range that can compensate for reduced demand for credit, the overall market orientation towards of natural persons customer. But Transilvania Bank has as main objective to satisfying the high demands of customers, territorial expansion and hiring appropriate staff to ensure high quality of services advertised.

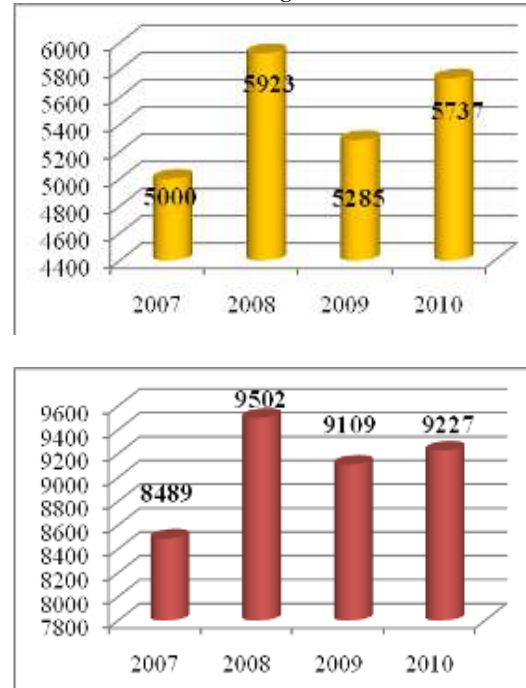
BRD SocGen development is expected to be less aggressive because the French already have a strong position in Romania, BRD is the second largest bank on the Romanian market and most profitable.

3.4. Coordination and training of human resources in banking

Human resources are one of the most important investments of an organization. They spend large sums to their employees, but investment in people has proven to be the surest way to guarantee the survival of a company or to ensure competitiveness and its future. The problem facing the banks in terms of human resource management refers to the following coordinates: development and retention, motivation, cost control, effective

training[2]. Given these problems affecting the banking sector, below is shown the employees' evolution in the two bank analyzed:

Figure 2. BT and BRD employees evolution during 2007 - 2010



Source: own processing on the basis of annual reports of BT and BRD

During 2007 - 2008, the labor market in the banking system there is a real "battle" for hiring, retention and loyalty of qualified staff, both BT and engaged BRD recruitment, both bank employing around 1000 people. Year 2008 is the year when our country was affected by the crisis and its consequences were felt in the banking sector. Thus, banks have stopped recruit, trying different ways to maintain the existing one. It was only in 2010 that things began to change favorably, both BT and BRD have resumed their recruitment activity, but in a slower rhythm.

3.5. Evaluation of bank performance

Performance of the banking system reflects the mobilization and allocation of capital efficiency as a whole and in particular, therefore banks must mobilize domestic savings to allocate investment funds to contribute to structural changes in the economy and increase productivity, facilitate payments so that the market can

operate at lower costs and to find correlations between effort and just as effective, that means efficiency and effectiveness[6].

BRD register appropriate values of return of capital rate, although these values have decreased over the period analyzed, compared with BT which has much lower values especially in the years 2009 and 2010.

In terms of cost / income ratio it is maintained at a good level, despite the increase in general expenses, the situation is favorable for BRD during the entire period analyzed. BT still record a continuous decrease of this ratio, which demonstrates that bank management focuses on limiting spending.

The liquidity indicator for both banks registered in 2010 is located at a suitable time compared to minimum set by NBR no. 24/2009. Solvency ratio was 13,66% for BT and 14% for BRD at the end of 2010, including profit, maintaining a high level throughout 2010.

4. Conclusions

Romanian economic environment has been severely shaken by the negative effects of the recession in Europe and so many companies from all fields had to face a serious situation that no longer have been seen, many of them reached bankruptcy, others reorganization, some have reached the position to be taken over by larger companies and others were saved by declaring insolvency.

Financial institutions - banks, to deal with these objectives problems should seek methods and management techniques that would be beneficial in a given situation. These methods and techniques of knowledge management are provided by bank management, which includes the entire set of elements, methods and techniques that are used in long-term development.

Based on these elements, we performed an analysis on BRD Groupe Societe Generale and Transilvania Bank where we have studied factors such as vision, company mission, plans and objectives. We analyzed human resources and banking performance.

Thus, while BRD focuses on preparing employees, as it believes that training is essential to obtain good final results, BT focuses on customer satisfaction and increase company value for shareholders.

Objectives BRD focuses on innovation, sustainable profitability, continuous adaptation of the organizational structure and activities to market demands, which distinguishes it from Transilvania Bank that focus on shareholder satisfaction and territorial expansion. A common point is to maintain a steady development and a satisfactory long-term profitability at the current market conditions.

Regarding human resources, last year, BT employed to four times more people than BRD, but the bank was not concerned too much of their professional training, as was the case with BRD.

The most important analysis is the analysis of bank performance. Thus, Transilvania Bank ranks fifth on the Romanian banking market, as net banking assets, while BRD, is in second place. Regarding performance indicators, ROE stands above the average for both banks established on banking sector, cost - income ratio is favorable for BRD bank, liquidity and rate of bad loans had an oscillating evolution, but both were in favor of Transilvania Bank.

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From Financial Crisis to Euro Crisis or the Aftermath of a Prolonged Recession

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Abstract

In this paper we analyse what caused the financial crisis of 2008-2009, how its aftermath lead, indirectly and among others, to a recently escalated crisis in the Euro zone and which would be the effects and solutions of this new economic reality.

We must admit the fact that, economically speaking, we live in a world of major unbalances, affecting the capacity of global financial markets to sustainably recover from such a strong challenge as the one posed by the past few years.

Moreover, it seems like the Euro zone experiment was not such a wise idea after all, with its possible disintegration bringing a whole new twist to the ongoing financial crisis and our viable options to overcome it.

Our aim to determine the correlations between these major economic phenomena and this way to hopefully render possible solutions in a clearer light.

Key words: financial crisis, Euro zone crisis, global economic uncertainty

J.E.L. classification : G01

1. Introduction

The financial crisis of 2008-2009 rearranged the global economic reality and shifted many priorities. At the same time, it accentuated many differences between geopolitical entities and made room for increasing uncertainty and fears of all kind, that paralyzed an important attribute in decision makers all over the world: courage.

The weakened, debt-burdened nations in the Euro zone flowingly faced a new challenge and one that is not yet overcome – the newly triggered crisis of the Euro zone or the sovereign crisis debt as it has been officially called. This brings more panic and

fear than the latest financial crisis because the risks are much higher at the global economy level, with Euro stability being crucial for all sorts of stakeholders

The truth is that Europe's march toward a common currency was, from the beginning, a dubious project on any objective economic analysis. The continent's economies were too disparate to function smoothly with one-size-fits-all monetary policy, too likely to experience "asymmetric shocks" in which some countries slumped while others boomed.

Nevertheless, this was the pursued model and now we have to face the consequences of its failure. The question is how are we going to do this and is that going to be a wise-enough strategy? We can not answer this question, but we can analyse the events that led to the current situation and its root causes, in an attempt to clarify the big picture of the ongoing financial crisis and the best scenarios we might imagine in order to improve this situation.

2. The latest financial crisis – how it all started

We could call the financial crisis of 2008-2009 is one of the major starting points for the dismal global economic conditions we face nowadays. Many people still ask themselves what happened back then and why did it all degenerate so much? Of course there is no one-faceted answer to this question, the multitude of factors that come into play here make any radical appraisal almost impossible. But there are a few clearer patterns and rationales that could help us better understand the big picture.

For instance, looking back at the pre-crisis period now, we can say that ever since 2006 there were reasons to expect tragedy. Huge U.S. account deficits suggested that the dollar would have to fall eventually. The entire

world was fooled mainly by two factors. Firstly, U.S. real interest rates weren't significantly higher than rates in other major economies, so the danger wasn't really acknowledged. Secondly, the large U.S. external debt being overwhelmingly dollar-denominated acted almost as a reassuring fact that the country couldn't be risking a currency crisis of the extent that it eventually did.

So yes, there were in fact reasons to worry back then, even without the "original sin" of dependence on foreign-currency debt (Krugman, 2008). But sadly, even those who seriously considered the evidence of a mammoth bubble on the real estate market failed to foresee the financial implosion that followed.

And the "economic blindness" didn't stop there. When the turmoil arrived, everybody would have expected central banks to be very effective in fighting asset-price-driven deleveraging with reduced interest rates that support asset prices and help balance sheets, in addition to their usual effects. In reality, however, at least as conventional monetary policy was concerned, such reductions quickly hit the zero lower bound and no further efforts were pursued.

Under such circumstances, when worldwide economic stability seemed to be headed full-speed on the downward spiral and no measure was bold enough to stall this process, another important factor came into play. The fact that asset-price deflation has no indirect stimulative effect on the economy made the situation even worse and its effects are still visible up to this day. The counter-example would be that of financial crises in emerging markets, which are often followed by "phoenix-like" recoveries (Cavo et al, 2006). We saw that in the case of Chile (1981), Finland (1990), Mexico (1994), Korea, Malaysia, Thailand and Indonesia in 1997 and almost 10 years ago in Argentina. The downturn brought by currency depreciation makes room for extremely competitive exports, bringing a positive swing to the trade balance and very rapid growth.

Unfortunately, plunging prices of houses don't produce any corresponding macroeconomic silver lining. So here is the question everybody has been asking ever since Lehman's failure: how long should

recovery be expected to take this time around? The sad news is that there aren't many useful historical models we can use for such an assessment. Every major financial crisis in the history of modern economy had a different set of triggers and exogenous factors affecting its unfolding. This eventually classifies as hazardous any sort of comparison and prediction based on historic analysis. But the example that comes closest to the situation of the past few years is that of Japan after its late-80s bubble burst, leaving serious debt problems behind. The bad news in this case however is that Japan has never really escaped from its deflationary trap, so if we refer conceptually just to the U.S. case in this context, even partial recovery could take as much as a couple of decades. But we have to be realistic and admit the entire situation severely changes when we put it into a global perspective and in the light of recent economic and geo-political developments.

3. The aftermath of the financial crisis – a global reality shift

If 2008 brought a time of terror, at least things were very clear; policy makers everywhere shared the common goal of avoiding the plunge into the financial abyss. Today on the other hand, we are witnessing a series of contradictions that accentuate all sorts of economic dangers and paranoia. China, India and Brazil are growing still very rapidly, while America, Europe and Japan remain in depression. Inflation is very high in the emerging world, while the prices of oil and food, which are determined in global markets and are largely driven by demand from those emerging nations, have soared; but underlying inflation in the wealthy nations remains low. Basically, whatever we might be afraid of, be it inflation or unemployment or fiscal crisis, it's happening somewhere — but the problems are different in different places. The key aspect in this contrasting landscape is that such inequalities were to be expected in the aftermath of a financial crisis that inflicted huge damage on many major economies.

The global financial crisis of 2008-2009 had its roots in more than two decades of growing complacency in wealthy nations, a

complacency whose main financial manifestation was ever-growing leverage. The great debt level of bankers and households alike was sustainable only in a perfect world. As soon as something went wrong, everyone tried to pay back their debts at the same time, which inherently triggered depression or what we have generally been living ever since.

But if we are talking about a global crisis, how come we still see booming economies out there? The truth is that not everyone was caught up in the same cycle of complacency as Europe or the U.S. Emerging nations — and in particular, the BRICs (Brazil, Russia, India, China) — have followed a very different trajectory. As previously mentioned, the decades before the latest financial crisis constituted an era of repeated currency crises in the developing world. This forced for very cautious behaviour not only on the part of governments — which paid down their debts and accumulated important reserves — but on the part of the private sector as well, which drastically reduced financial fragility.

As a result, in the light of the crisis emerging economies proved to be far less vulnerable than wealthy nations. The panicky months after the fall of Lehman were merciful to no one, but once the free fall ended the emerging countries managed a strong recovery, continuing their mesmerizing growth. Nevertheless, these booms are causing rising inflation on the other hand. China and India grew more than 10 percent last year, Brazil more than 7 percent. These economies are overheating, and inflation is the natural result.

But where do wealthy nations stand in this picture? Well, unlike emerging countries, America and Europe experienced a period of relative economic calm before 2008, which — very bluntly said — took them by surprise and transformed them into debt-burdened entities once the crisis struck. Especially for some European economies, the past few years brought but an ever more tangled aggravation of their financial situation. Economists called it the sovereign debt crisis and so far it is taking its toll on the Euro zone, whose survival is definitely challenged under the current conditions.

4. The Euro zone crisis – the definition of escalated uncertainty

In trying to understand the root causes of the euro zone debt crisis, we find ourselves facing two contrasting points of view: the one pointing towards local causes and another one blaming systemic causes.

Some believe that the crisis was fundamentally caused by irresponsible behavior of governments and individuals in from the Euro zone periphery. What is usually understood by that are countries like Greece, Portugal, Ireland, and possibly Spain. Italy has not been accused of such behavior to our knowledge, being considered a victim of contagion rather than the cause of the crisis. Thus, the *local causes* point of view emphasizes government deficits and debt in the EU periphery being so large that once the financial crisis came along, investors lost confidence in the ability of those countries to remain solvent. Thus by excluding them from their plans they triggered another escalated crisis.

An alternative point of view is that, while the crisis may have had some local triggers, much of the current problematic situation is the result of forces and decisions outside the control of peripheral Europe's governments. In other words, the crisis could have non-local, *systemic causes*.

Analysing key indicators such as the nature of the deficit predicting the crisis or of that growing after Euro adoption in the concerned countries, it seems that the Euro zone crisis is more consistent with the systemic causes view than the local causes view. The same verdict is supported by the evidence of government spending and/or personal consumption after euro adoption, which proves that countries in the Euro zone periphery behave responsibly in a macroeconomic sense, spending more on investments goods and less on personal consumption.

It is true that maybe these countries didn't always take the best decisions, but the Euro zone crisis is such a complex phenomenon that is certainly can not be attributed exclusively to them. We must consider the fact that these countries were up against powerful exogenous forces such as capital flow bonanzas and sudden stops. Such forces were set in motion as soon as those countries

adopted the Euro, imminently pushing them towards financial crisis. Conclusively, we have to admit that some of the blame should go to the crisis countries themselves. But it is not their irresponsible behavior that set the stage for this new crisis; the common currency itself made this happen.

But what does this mean? Everything eventually leads us back to Krugman's „original sin“, who nails down the entire essence of the current Euro zone crisis in a NY Times article earlier this month:

„What has happened, it turns out, is that by going on the euro, Spain and Italy in effect reduced themselves to the status of third-world countries that have to borrow in someone else's currency, with all the loss of flexibility that implies. In particular, since euro-area countries can't print money even in an emergency, they're subject to funding disruptions in a way that nations that kept their own currencies aren't — and the result is what you see right now.“

This reiterates the old argument of Euro zone skeptics, that such a financial experiment is not sustainable in the long run, that it was nothing else but a bold and unthought through experiment of certain ideologists. Even if this is right, it is far too late to stop and just contemplate this sudden realization. We are in the middle of the tornado and all we can do is trying to predict where it will lead is and how we will be able to pick up the pieces from there.

5. Future expectations and conclusions

Austerity, fragile economic growth and threatening sovereign debt, which can lead to the disappearance of the common currency. This is the picture describing Europe at this time, a continent that is going through the most powerful convulsions since the end of World War II.

On the other side of the globe, the U.S. must be happy not to deal with such a complicated story. Nevertheless, the American economy is still very vulnerable and there are several voices accusing the government of not handling the crisis very well: fiscal stimulus has been inadequate, financial support has contained the damage but not restored a healthy banking system. So the indications are that serious economic

depression will continue for years to come.

On top of this, the collapse of the Euro area would be like a lightning struck for the entire world economy. Since everything is interconnected, we can anticipate firstly that it would lead to the disappearance of some of the strongest U.S. companies; Coca-Cola, Accenture, Phillip-Morris or McDonald's are only a few names currently gaining impressive margins from their European operations. Should the Euro zone crisis accentuate, so will their fate become uncertain.

Emerging countries are facing serious risks as well, should this newly escalated crisis go on. Giant economies such as China are significantly dependent on exports, a large part of these being directed towards the EU. Negative scenarios on this side of the world imply also a high risk for emerging economies, who may not have enough time or resources to counter-balance their situation by strengthening internal development.

It turns out that Euro zone stability is crucial for the entire global economy. But can we still talk about stability, is this an attainable goal or are we already past the point of no return? In the light of latest events, more and more eyes are turning towards the IMF, viewed as the only entity able to sort out the European mess. So far, Europe has tried to solve this crisis on its own, while the IMF has acted only as a partner in bail-out efforts of Greece, Portugal and Ireland, along with the European Commission and European Central Bank.

But governments and officials from outside Europe and financial markets began to lose their patience with the EU decision-making process, considered by many extremely lengthy and difficult. Thus, new decisions could increase the IMF's role in resolving the crisis. This time, recommendations on fiscal and structural reforms in Italy necessary to avoid a crisis of proportions will be submitted by the representatives of the Fund. With this decision, the IMF could impose itself as a leader of anti-crisis efforts, in an attempt to redeem the confidence of other participants in the global market. After all, the IMF is the only creditor with sufficient funds to venture into a bail-out attempt of Italy or Spain.

All in all, such critical times definitely call out for critical measures. One thing is clear: it is already too late to any longer drag the bold decision making process. Turning back to Krugman for a last word of wisdom, one of his affirmations about national financial crises dating back one decade still stands valid nowadays at a global scale. Thus, we must fear that intellectually consistent solution to a global financial crisis of this type are likely to seem too radical to be implemented in practice. And partial measures are likely to fail. We can only hope that our contemporary power holders will not settle for that and aim instead for success.

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Factoring – Current Method of Financing Foreign Trade in the Context of Global Financial Crisis. Presentation, Analysis and Accounting Treatment

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Abstract

In today's global context of frequent financial blockages, of reduction of external transactions and more, companies are forced to find alternative sources of financing for traditional bank loans, factoring being one of them.

Until the global economic crises started, many entities pursuing different transactions considered inappropriate that other entity would handle the settlement of bills, the delays in payments of foreign partners not being particularly noticed. However, after growing resentment of financial and economic crises' effects, perception suddenly changed, factoring and other modern financial techniques being promoted with priority, due to their benefits in the meaning of assuring the necessary financial resources for conducting and development of economic international economic transactions in useful time.

Therefore, we considered as important the presentation and analysis of this method of financing and of the particularly financial-accounting aspects that poses, due to major advantages attracted by factoring through streamlining and developing international trade.

Key words: external trade, financing factoring, accounting, financial crisis.

J.E.L. classification: M41, P33.

1. Introduction

Financing represents all mechanisms, techniques and tools by means of which necessary funds for achieving economic-social activities, particularly business, are purchased [1].

Broadly, we can assess that in development of international economic transactions, economic agents are based on the following categories of financial resources:

- internal resources (own), established with the purpose of financing its current activities, or in order to achieve investments, but also resources resulting from the entity's economic activity – profit, reserves, advances received from the customers, other funds;
- external resources, attracted from various financial institutions, banks or banking consortium, the financing relation being based on lending procedure.

Intensification and increasing complexity of economic international trades are largely the effect of loans' relations development, but also of financial-banking techniques. In these exchanges, the term *loaning* was actually replaced by *financing*. In other words, although international trade financing is structured on a loaning relation, *it requires a series of elements that are related to actual financing technique, or to countries' economic policy* [2].

Development of international trade, in the context of increased competition, of increasing the volume of complex products with considerable value, but also of risk elements such as increasing the insolvency degree risk of foreign partners, global liquidity crisis, lead to attraction of new

financing resources with the purpose of sustaining these activities, the role of commercial banks in the context of foreign trade financing mechanism being an essential one.

One of the special financing methods for short-term foreign trade financing, which is more and more used in present economy, is factoring.

2. Factoring – definition, presentation, ways of achieving

Factoring represents a technique for transactions financing and commercial debts recovery, used since the 18th century in the trade operations of U.S.A. colonies, technique by which a firm, the **adherent**, sells its unpaid bills to another person, the **factor**, that takes over the settlement of invoices, in exchange of a fee calculated at the bills' value.

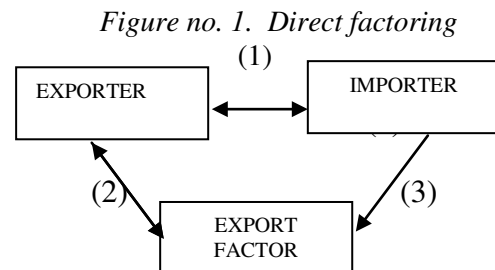
Initially, factoring was only limited to textile and clothing industry, but now, this modern manner of financing expanded its coverage on a wide variety of areas, mainly developing due to increased use of payments accounts, that allow to make the settlement at a specified term from the delivery/invoicing.

Factoring is the operation developed on the base of a commercial contract between the *factor* (specialized institution) and *adherent*, by which, the former, in exchange of a fee, takes over the obligation to pay the adherent the value of its bills, meaning the debts ceded by exporter through contract. In other words, factoring is an immediate financing instrument, slim (is only realized based on bills, without real warranties), that protects the exporter from the risk of not collecting the exports value. It becomes more advantageous as the distance creditor – debtor, respective delivery – collection it widens.

Foreign trade society that makes use of this technique may collect within 24 hours from submitting specific documents 80% from the export invoice's value. It does not have the tracking tasks, namely the collection of receivables.

International factoring, settled by UNIDROIT Convention, Ottawa, 1988, has two forms:

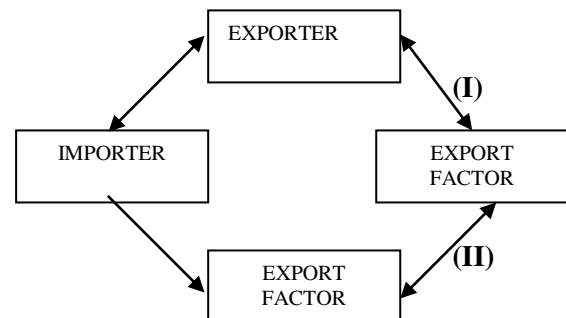
- direct form (direct-factoring) – realized through existence of one factor, namely the export, without the presence of a correspondent factor in the country of import (see figure below);
- two factors form (two factors system) – characterized by the existence of two factors; it is the most commonly used form (see figure below).



where:

- (1) sale-purchased contract;
- (2) claims ceding;
- (3) subsequent settlement.

Figure no. 2. Two factors factoring



Two factors form takes place in two stages: the first one (I) the exporter cedes own claims resulted from export operations of a factor resident in his country, factor which, once with taking over the claims also takes over the loaning risk. The exporter benefits, therefore, by a financing without warranties. In the following phase (II), the export factor enters in relation with import factor, with the purpose of cashing the values of invoices from the importer-debtor.

The export factor strictly follows the exporter, and the import factor strictly follows the importer, both factors having strong knowledge regarding local market and specific legislation of countries where they operate, working on a code of rules concerning factoring. Between the two

factors involved in operation, only the import factor is responsible with cashing from importer and his watching, the professionalism and worthiness of the latter, who evaluates the credit risk of the operation, and who, at due-date, collects the revenues, being extremely important.

Depending on when the factor makes the payment of invoices, two types of factoring operations can be observed:

- *classic factoring* – the factor pays the bills when retrieval occurs, practically, takes place the crediting of adherent by the factor until the due-date given to creditor-debtor by exporter to importer, for which the factor retains an interest (the discount rate is 1,5-3% above the one from bank);
- *due-date factoring* – the factor pays the value of claims to exporter in the moment of their chargeability retaining a mediation commission.

The factor's commission is formed of agio and guarantee fee. The factor also retains the risk guarantee collection, which will be refunded to adherent after cashing the invoices from client debtors (importer).

Agio represents the sum retained from the adherent in the case of transmitting the sums to the adherent provider and the use of this sum, before the claims chargeability.

2. Accounting treatment

A first version of the factoring accounting in exporter accountancy is the following [3]:

a) goods supply (and the issuance of trade effect with the specification that the beneficiary is the factor, the trade effect accepted by the importer not being returned to exporter drawer, but to its beneficiary):

4111 „Customers”/ Factor	% 707 „Incomes from sale of goods” 708 „Incomes from various activities” 766 „Interest incomes” 472 „Deferred incomes”	V
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b) transfer of factors' claims, with the purpose of its invoice payments:

4111 „Customers”/ Factor	=	4111 „Customers” /Importer	V
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c) collecting the claims from factor (of invoices' counter-values), excluding deductions (commission and interest):

5124 „Currency bank accounts”	:	4111 „Customers” / Factor	V- (C+D)
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d) registration of interest and commission retained by the factor :

668 „Other financial expenses”	:	4111 „Customers” / Factor	C+D
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The second variant of reflecting in adherent's accountancy is presented as follows [4]:

a) it closes the claim accepted by the factor through 267 account "Other financial assets" by the time of collecting sums from the factor:

267 „Other financial assets”	=	4111 „Customers” /Importer	V- (C+D)
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b) it highlights the accountancy commission and interest retained by factor in accounts 622 "Commissions expenses", respective 666 „Interests expenses”:

% 622 „Commissions expenses” 666 „Interests expenses”	=	4111 „Customers” /Importer	C+ D C D
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c) the value retained by the factor as risk warranty will be registered also on 267 account „Other financial expenses” at an analytic distinct from the invoice value analytic.

The use of last variant would be preferable if we think that foreign trade society does not delivery goods to factor, but, practically, sells invoices. Therefore, the factor realizes financial assets distinctly viewed as debts assets and fixed payments.

We cannot say that the application of one of the above presented variant is rigorously imposed. Although, the first variant prevails the second, with the mention that, in order to record the interest and commission retained by factor, we recommend to use the accounts 622 „Commissions and fees expenses”, respective 666 „Interest expenses”.

3. Why financing through factoring (bank loan guaranteed by assignment of trade receivables)?

We will present an example for a firm that appealed to the two methods of financing, starting from two simplified balance sheets for the two cases:

Case I:

Table no. 1. Simplified balance scheme, in the case of not using factoring by the entity

Indicator's name	Balance at the end of financial exercise N -lei-
1. Fixed assets	350.000
2. Stocks	400.000
3. Claims	375.000
4. Cash and bank accounts in lei	50.000
5. Short term bank debts	300.000
6. Suppliers	250.000
7. Other short term debts	25.000
8. Equity	600.000

Case II:

Table no. 2. Simplified balance scheme, in the case of use of factoring by the entity

Indicator's name	Balance at the end of financial exercise N -lei-
1. Fixed assets	350.000
2. Stocks	400.000
3. Claims*	75.000
4. Cash and bank accounts in lei	50.000
5. Short term bank debts	-
6. Suppliers	250.000
7. Other short term debts	25.000
8. Equity	600.000

(*) Claims receivable from factor

Because, in the case of factoring, the exporter may collect within 24 hours from submitting the documents that proves the export, 80% from claims value, we considered, in order to realize a more accurate comparison, that the bank deposit is also 80%, although, generally, the bank advances only 50% of invoices' value.

For the two cases, there will be calculated the indicators from the above table:

Table no. 3. Comparative calculation of liquidity/debt indicators for the two cases

No.	Indicators	Calculation formula	Case I	Case II
1	General liquidity	$L_g = \text{Current assets} / \text{Current debts}$	1,43	1,91
2	Debt rate	$R_d = \text{Debts} / \text{Net situation}^{**}$	0,96	0,46

(**) Net situation = Total assets /Liabilities

There may be noticed that in the latter case, because the exporter has sold the receivables, its sheet will only highlight the difference to receive from the factor, respective 75.000 lei, and not the whole debt (375.000 lei) as in the former case.

Although in the presented example the same advance percentage (80%) was considered, overestimating therefore the benefits of financing through a bank loan secured by assignment of trade receivables, it results, of course, from the values of the two indicators, that the exporter would present a

much better situation if he would turn to factoring.

3. Conclusions

In conclusion, we may say that factoring financing presents many advantages for its users, such as:

- it protects against the risk of default/covers the risk of nonpaying the invoices;
- the exporter does no longer deal effectively with claims management/taking over the suppliers duties regarding the prosecution and settlement of invoices;
- reducing the time span between export and the actual recovery of the claim, assuring therefore liquidity needs;
- simplifying the financial-accountancy formalities;
- providing consulting services;
- etc.

Despite the advantages mentioned above, this financing method entails some risks, such as [5]:

- debtor insolvency (of buyer);
- poor diversification of debtors;
- breach of trust by the debtor as a result of incorrect common understanding of its factoring client;
- unforeseen difficulties in the case of foreign borrowers, sometimes due to legal regulation from their original countries;
- negative reactions of borrowers on compliance clauses;
- etc.

Also, a series of risks concerning strictly the factoring client are highly visible [6]:

- poor customer dispersion factoring;
- poor quality of products or services delivered by the client for factoring;
- breach of contract or breach of trust conditions of the factoring client.

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Green Accounting – From Green Policy to Eco-Balance

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Abstract

The accounting domain is booming. The environmental implications of business activity place the companies in the middle of sustainable development debates.

The natural environment for the economy can be seen:

- *as source: the environment provides the stock of natural resources used for human activities;*
- *as warehouse: the environment serves as a receptor for waste and pollutants;*
- *as living environment: the environment provides habitat for living humans.*

These functions are limited and finite. The objective of green accounting is to contribute to sustainable economic development by improving knowledge and understanding of the increased interactions between environment and economy.

Key words: Green accounting, environment, development

J.E.L. classification: M41

1. The evolution of green consciousness – from indifference to concern

The public concern about environmental issues is the result of a long way, sprinkled by scientific developments and political and social commitments. As far as multinational companies are concerned, they are somehow late "turning green". Relying only on the managerial principles of shareholders, the directors of these companies have long been satisfied just to obey the laws of their adopted country.

In the 90s of last century, this approach evolved gradually towards an integration of all stakeholders, including employees and directors, but also interest groups, regulatory agencies, shareholders, suppliers and

customers or local community. From now on, the commitment to environmental issues is greater within corporate societies that recognize the economic value of environmental measures.

For companies, these efforts lay at both strategic and operational level. Given these factors, *the managers' needs regarding financial and accounting information about the environment have evolved gradually.* Green accounting requires various tools that allow a better information to all concerned, both at domestic decision makers and foreign partners of the enterprise.

The genesis of environment management observed in the last 3-4 decades is closely related to global awareness of the negative effects of human activities on the environment. First, the warning signals of researchers or environmental groups led to international meetings dealing with the environmental consequences of human development. On the other hand, the awareness of different actors influencing the market has inspired to integrate the concept of environment into the development strategies of enterprises [1].

This trend determined that some industries to consider environmental risk management *by adopting principles to follow the best practices on the environment.* Gradually these initiatives have evolved to become management systems first governed by national rules and then international.

Mobilizing the companies for the protection of environment result from a long process of awareness that has taken shape since the 1950s at a time when industrial society was in full euphoria, immediately after the war [2].

Contesting groups who denounced the ecological damage caused by industrial production have emerged in this period, but their number was quite low and the efforts, many times, were in vain. For example, the first international symposium *How can a*

human change the world, held at Princeton in 1965, was completely under indifference and ignored. Despite the presence of leading scientists of that period, the conclusions were not convincing and the ignorance on environmental issues extends to all levels of society [3].

For most of the Western population, the possibilities offered by progress and science seem endless. The international community does not hold no meeting on environmental issues and the companies deny the existence of negative effects of their activities on the environment.

But technology limits were brutally highlighted in the 70s of last century, by major environmental accidents such as Seveso (1970), Amoco Cadiz (1978) or Three Miles Island (1979). In 1972, the United Nations Conference on Environment and Development in Stockholm led to the creation of the United Nations Environment Programme (UNEP), while the Club of Rome published a report entitled *Stopping growth*. Ideological debate *confronts industrial logic with green logic*.

Only in 1980, the states have recognized the need for international laws and high-level meetings on environmental problems multiply. In 1987, the publication of the report *Our common future*, also known as the *Brundtland Report*, lay the foundation of *sustainable development* concept and shows the limits of development. Faced with these new concerns, some companies assume responsibility for the environmental effects of their actions and take stand for environmental cause [4].

2. Perspectives in green accounting

The development of green accounting has accelerated over the past 20 years both at research and practice level. However, the implementation and utility of accounting methods and financial accounting rules exposed during this chapter of our work are not generally recognized in the business environment. While some elements are integrated into the managerial practices of the company, such as environmental management systems and environmental reports, many other components of green accounting are only used by a limited number of corporate companies.

The general recognition of green accounting as an integral component of accounting passes through several key factors of development, such as the increasing demand of disclosure stock market environment, the trend of implementing business strategies focused on sustainability, the efforts of accounting professionals in research, promoting green accounting and also the global guidelines in this domain.

Various researches on this topic have led to conflicting conclusions: on the one hand *it could not establish a direct link between financial performance and environmental information disclosure*, while others have concluded that *an adequate disclosure of environmental information would favourably influence the listing of shares*. This relationship could be confirmed in the next years, through an increased need for responsible investment. [5].

The popularity of business strategies focused on sustainability is another key factor in the emancipation of green accounting. Inspired by multinational companies who have chosen to focus on sustainability, a growing number of corporate companies in the next years will be tempted to join this movement.

Worldwide, sustainability strategy is growing. The study conducted in 2006 by PricewaterhouseCoopers in addition to large international corporations showed that 79% of heads of department believes that sustainability is vital to their profitability, while 71% are willing to sacrifice short term profitability for a long-term value for the shareholders [6].

Many avant-garde companies that had implemented business strategies based on sustainability are now the object of analysis in terms of environmental impacts of these strategies. The International Federation of Accountants (IFAC) consider that sustainability acts as a factor of change in organizations [7].

The link which unites the accounting profession and environmental issues is not clearly recognized in the business environment. Since 2006 the International Federation of Accountants (IFAC) sustains the involvement of professional accountants in the field of sustainability. The organization undertakes to promote the acquisition of knowledge and skills in relation to this

concept which considers as a challenge and an opportunity for their profession. According to IFAC, the role of professional accountants on sustainability assumes the following responsibilities [8]:

- development, implementation and control of sustainability policies and also the management of inherent risks;
- support shareholders through the management of reliable and easily accessible information;
- involvement in developing, implementing and monitoring policies for purchases, standards and management systems related to the value chain;
- inclination towards a benchmarking to provide reliable, relevant and comparable information;
- maintaining and enriching the knowledge of law;
- preparation and communication of information necessary to decision making.

Recognized for its competence in collecting, analyzing and providing reliable information, IFAC considers that professional accountants are well positioned to play a significant role in sustainable empowerment of the company. Instead, the same IFAC recognizes that, in terms of sustainability, professional accountants' knowledge are sometimes insufficient. Accountants will have to accept a significant change of their mentality, they have to integrate new criteria in their analysis and not focus only on monetary evaluation.

The lack of professional accountants' involvement on green accounting limits the implementation of management accounting methods and development of new green services that may be offered to them. From one point of view, it would damage the emancipation of green accounting, and from another, professional accountants could let the business opportunity to pass up front the profession. This situation can be explained by two elements, the professional accountants' discomfort to evolve in the dependent and less structured context of green accounting, or the poor appreciation of the importance of sustainability challenges for their own profession.

A series of key factors identified throughout this chapter, gives the impression that in the future, green accounting

(environmental accounting) may occupy an important place within the accounting profession. The efforts made by national accountants' body to raise its members on the major importance of environmental challenges are a significant contribution to general recognition in this field. Growing demands of the stock market regarding the provision of environmental information are, equally an important pressure circle, like the global trend of using the rules and tools of green accounting. The popularity of business strategies focused on sustainability produces a significant demand of financial and management information for managers and shareholders.

If accounting disciplines delay to consider the environmental dimension of business activity and performance, we believe that the spread between the accounting image and economic and social reality is likely to increase. Thus, the accounting could not bring trust between different partners, would lose its social legitimacy and would depart increasingly from the principle of accurate picture. For this, we consider that the implementation of an educational system into the green accounting may participate to the awareness of the importance of opening the information profession and management system for environmental information. We appreciate that among the objectives of a professional training that takes into account the environmental dimension of the enterprise and in a broader manner, its social responsibility, we can find:

- the awareness of the shortcomings of existing accounting practices;
- the understanding of concepts and alternative theories;
- the familiarity with environmental management systems;
- the assessment of environmental costs and environmental responsibility;
- the reflection on the notions of green accounting, social investment, eco-efficiency, eco-justice, sustainable development.

3. Conclusions

Green accounting is at the intersection of environmental information system and accounting information system and participates in a large sense, to the

assessment of flow between company and environment, and also in management and communication in both environmental and financial plan.

Green accounting can be present at the following three levels:

- *international systems*, which involve assessing the value of natural capital and measure on global scale the conditions of the environment and human welfare;
- *national accounting* covering the integration of environmental components into the value of gross domestic product, assessment of natural environmental changes and the impact of human activities in order to account the monetary and financial flows relative to use of natural resources;
- *corporate green accounting* practiced at enterprise level.

An important leverage for green accounting lies in accepting in the business environment, *the link between the exchange value of shares traded and the inclination to environmental disclosure*.

The analysis of green accounting practices enables us to conclude that *this branch of accounting succeeded, in theory, to achieve its objectives* which were originally assigned. It is about developing tools for decision making and management control regarding the management accounting and the accounting treatment of environmental issues and communication of environmental information for what is financial accounting. However, *in practice some elements cause a decrease in achieving these goals*. First, the rules underlying the provision of environmental information does not apply to everyone, but only for public corporate companies. The information published by companies are sometimes inadequate to the expectations of stakeholders.

Increasingly more companies *focus on the environmental dimension in their activity both at strategic and operational level*. All opinion - those dealing with accounting, control and audit - must be aware of all environmental issues and trained in techniques and procedures required by an environmental management system.

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The Influence of Globalization on Information Systems

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Abstract

Today, more than ever, is necessary that enterprise can exploit the best information at the best moment. It means to be help by this in choosing an information system near to its needs and its way of organizing and which will help it to take a decision.

Globalization, development of the knowledge society, spread of the Internet, the newest business methods represent the same amount of arguments for which the information systems of organizations must be seen from another perspective.

Key words: globalization, new economy, information systems

J.E.L classification: M00

1. The characteristics of information systems in the context of globalization

Globalization, electronic commerce and development of new technologies have made the number of the international enterprises to grow up in an accelerated rhythm. This thing had generated a series of complications concerning the planning, development and exploitation of information systems.

Being subject of constant changes to keep pace with modifications occurring all the time at any level of economic and social activities, the information systems, in the context of globalization, are perhaps the most searched because of the adapting to newest requirements imposed by this process.

The products, the clients, the activities carried out, resources available or human component are important factors for enterprises, and when we speak about global enterprises, all these factors are elements which can be influenced by information systems, thus [1]:

- the products – always will be the same, even if are made by the central enterprise or by the subsidiaries located in any point of globe. So, the information system has the possibility to facilitate the production, marketing and quality control activities, because it is necessary to know in detail every geographic region, both for the existing resources and customer requirements of that area. Information about these aspects can be easy to obtain by making an integrated information system. Integration of information system is more important if the majority of the products are made by assembling the components obtained in different areas. This activity is influenced by the advantages of the raw material price and obtained materials, workforce or fiscal facilities.
- the client – the commercial activities made by an enterprise, can be helped by the information system offering some services for satisfying the clients needs in a short period of time. So, through the newest information and communication technologies, the clients have the possibility to participate in the design of their desired products, only if the producing enterprises have implemented a system that allow to run activities of electronic commerce.
- the activities – when it is a global company these activities are usually very complex. A lot of products components are assigned to the subsidiaries which are influenced by the economic, social and politic conditions. Taking in consideration this situation, it is very easy to understand that to successfully cope with all changes that appear in the existence of this enterprise, the information system should have a high level of flexibility because it is a factor which provides the adaptation to the new conditions. By integrating upstream firms (connection with the

supply channels and abandoning the production of components within the same firm), its can obtain benefits such as achievement of economies of scale, specialization, flexibility in the adoption of production lines for manufacturing the products required by the market, reduce costs through greater market discipline.

- the resources – even if its are used in common, the material, human and financial resources, this use means also a specific distribution between the subsidiaries of the global firm. The information system, because of its applications, can keep a strict record of these resources, concerning the allocation of the resources and their size.
- the human component – the knowledge and the experience of the human resources can be used easily in supporting the efforts from the firm, only if the information system has the element for the working groups – teleconference, video, Internet, Intranet, e-mail.

For organization to be competitive on the new economy, information systems managers should take in consideration the following dimensions [2]:

- a) economic, politic and cultural mutations that these must have:
 - the cultural problems refer to difference in language, cultural interests, social attitude and political philosophy;
 - political framework is different from a country to another, there are countries where it is forbidden the transfer of dates abroad and also they have restrictions on the import of hardware and software;
 - geographically, even if the telecommunications had a strong development, there are still physical distances (time differences);
 - there are difficulties in finding the specialists or attracting them from another countries, because of the differences between the standard of living and workforce costs.
- b) achievement of applications to ensure the coverage of all information requests: these applications of the systems depend mostly on the adopted business strategies, the running activities, the market competitors, available resources, clients and their products, knowledge and experience of

employers, level of centralization of the system architecture. Nevertheless, there is a series of general applications that can be used by any kind of society, like:

- support systems for group decision making;
 - financial applications;
 - global applications for stock management;
 - applications for regional centers for data processing.
- c) integration of system strategies in the total strategies of global firm: at a global society level, the most important strategies that should be set refer to virtual activities, global markets, clarity of orders and customer satisfaction, clarity of production, dynamic management of resources. Taking in consideration all this aspects, the information system strategies should be directed to:
 - integrated systems and logically consolidated, but physically distributed;
 - use of common data across all parts of society;
 - development of specialized applications fields;
 - d) developing a solid information infrastructure: it refers to hardware, software, telecommunication networks and other facilities to process data. Choosing the technological platform is not only a technical problem, but also a problem with political and cultural implications.
 - e) improving data management:
 - one of the major problems is the cross-border data flows, namely economic data flows that cross international borders through telecommunication networks [3]. There are a lot of countries which consider these types as violation of national sovereignty, arguing that these cross- border data flows do not respect the rules of import and export of goods and services or the rules that aim to protect local and regional industry or jobs. Another aspect refers to the management of data and their standardization, just because of differences between culture, language and informational architecture.

f) providing more flexibility to adapt: the issues that should be consider for developing information system of a global society are [4]:

- conflicts between the requests of local information and the global system;
- difficulties in implementation and maintenance of the system due to geographical positions;
- difficulties in establishing common characteristics of the system;
- difficulties in implementing a system to share resources and different operating systems, depending on the local technical equipment.

Concerning the information systems of the international firms it should be mentioned that they are different from other distributed systems, they are distributed information systems which support some similar economic activities in various environments, specific to different international business locations [5].

2. Conclusion

Being subject of constant changes to keep pace with modifications occurring all the time at any level of economic and social activities, the information systems, in the context of globalization, are perhaps the most searched because of the adapting to newest requirements imposed by this process.

The products, the clients, the activities carried out, resources available or human component are important factors for enterprises, and when we speak about global enterprises, all these factors are elements which can be influenced by information systems.

For organization to be competitive on the new economy, information systems managers should take in consideration the following dimensions:

- economic, politic and cultural mutations;
- achievement of applications to ensure the coverage of all information requests;
- integration of system strategies in the total strategies of global firm;
- developing a solid information infrastructure;
- improving data management;
- providing more flexibility to adapt.

The globalization process can: obtain scale advantages, exploitation of synergistic benefits, enjoyment of geographical advantages. Aspects of globalization can be seen at the product level, sales level on market, competitive level, as well as at the level of consequences which globalization will have on environment.

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Analysis of Labour Productivity Dynamics of SNCF Navrom SA Progress through the Review of „Turnover” Indicator Evolution Based on a Unifactorial Model

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Abstract

In economic practice, an econometric model is used to explain the variation of a phenomenon in relation to the other variation for estimating the probable change of the analyzed phenomenon.

This paper aims to assess the dependencies of labor productivity through the development of the indicator "turnover" by unifactorial model.

The author proposes in the paper to check the pausability of unifactorial model using dispersional analysis which shows that the estimated linear model is appropriate and is representative for describing the dependencies between the labor productivity at the analized company, SNCF NAVROM Corporation and its turnover in the period 1997-2010.

Key words: dynamic, unifactorial model, dependency, plausibility

J.E.L clasification: D22

1. Introduction

In business practices, an econometric model is used to explain the phenomenon of resultative variation y in relation to its variation factor x , to estimate the probable values of y phenomenon (its simulation) based on potential value which, economically, x factor can record, and finally, the forecast of y phenomenon according to the x phenomenon values, on the forecast interval v , $v = 1, 2, \dots, h$ [1].

To allow users to check (performance) of an econometric obtained model, it must be presented with the following information:

$$\hat{y}_t = \hat{a} + \hat{b}x_t;$$

$$(s_{\hat{a}}) \quad (s_{\hat{b}})$$

- R- correlation report
- d - Durbin-Watson variable
- $s_{\hat{u}}$ - deviation of the residual variable.

With this information you can try:

- independence of errors \rightarrow „d” test - Durbin – Watson;
- significance of the estimators \rightarrow „f” test;
- model similarity \rightarrow „F” test.

To illustrate the possible use of the econometric unifactorial model, we start from accounting data on turnover and productivity indicator during 1997-2010 reported for the SNCF Navrom SA (the two indicators are expressed in prices of December of 1991, establishing the company). Data are processed by the financial information provided by representatives of society.

2. Presentation of input data

Table no. 1. Input data

Year	Turnover hundred of thousand lei	Work productivity hundred of thousand lei /person
1997	19,4993	0,0103
1998	18,6432	0,0099
1999	17,8246	0,0095
2000	32,2796	0,2306
2001	38,0252	0,1311
2002	35,4559	0,1604
2003	41,6633	0,2022

Year	Turnover hundred of thousand lei	Work productivity hundred of thousand lei /person
2004	51,8927	0,2760
2005	56,9798	0,3183
2006	56,5489	0,2976
2007	59,2460	0,3151
2008	73,3357	0,2716
2009	55,1573	0,1061
2010	42,5050	0,0819

Source: Processing after the financial information provided by representatives of the SNCF Navrom Company

3. Specification, identification and estimation of model parameters

We intend for this case study the following objectives:

- specification, identification and estimation of econometric model describing the relationship between two variables;
- verification of the verisimilitude of the model parameters and significance.
 - Specification, identification and estimation of econometric model describing the relationship between two variables - based on the problem to build an econometric model unifactorial form: $y = f(x) + u$

where:

y – actual values of the dependent variables;

x – actual values of independent variables;

u – residual variable representing other factors influence the of y variable, unspecified in the model, factors considered casual, with insignificant influence on the variable y.

Data analysis in Table. 1, in relation to the economic process described, leads to the following specification of variables:

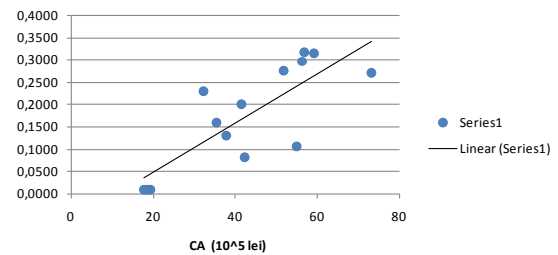
y – Productivity Work Indicator, variable representing the result;

x – Turnover, factor considered by the working hypothesis with the strongest influence on the variable y.

Specifying an econometric model also requires the choice of mathematical functions (f(x)) which can be described by the relationship between two variables. In a unifactorial model, the process is the most

common graphical representation of the two rows of values helping by „corelograma”.

Figure 1. Labor productivity based on turnover



Source: Own contribution

From the graph we can see that the empirical distribution points can be approximated by a straight line. As such, the econometric model that describes the relationship between two variables is transformed into a linear unifactorial model $y_t = a + bx_t + u$, $t = \overline{1,14}$, a și b representing the parameters of model, $b > 0$, slope of the line being positive because the correlation between two variables is linear and direct.

The next operation consists in estimating model parameters, a și b, helping by \hat{a} și \hat{b} estimators. În acest scop se va utiliza For this purpose it will use the method the least squares (M.O.T.L.S.).

$$F(\hat{a}, \hat{b}) = \min \sum_{t=1}^{14} (y_t - \hat{y}_t)^2 = \min \sum_{t=1}^{14} (y_t - \hat{a} - \hat{b}x_t)^2$$

The condition of minimum of this function results in:

$$F'(\hat{a}) = 0 \Rightarrow n\hat{a} + \hat{b}\sum x_t = \sum y_t$$

$$F'(\hat{b}) = 0 \Rightarrow \hat{a}\sum x_t + \hat{b}\sum x_t^2 = \sum y_t x_t$$

$$\Rightarrow \begin{cases} 14\hat{a} + 599,0564\hat{b} = 2,4207 \\ 599,0564\hat{a} + 29.400,8800\hat{b} = 124,3101 \end{cases}$$

After solving the system of equations are obtained the two estimators:

$$\hat{a} = -0,0625$$

$$\hat{b} = 0,0055$$

Based on estimators will be calculated estimated the values of the variable y:

$$\hat{y}_t = -0,0625 + 0,0055 x_t$$

4. Checking the significance of of the parameters and of the verisimilitude of the model

In order to verify the significance of the parameters and of model, will be calculated:

- residual variable values:

$$\hat{u}_t = y_t - \hat{y}_t$$

- standard deviation of the residual variable, $s_{\hat{u}}$:

$$s_{\hat{u}} = \sqrt{\frac{\sum (y_t - \hat{y}_t)^2}{n - k - 1}},$$

where k – number of exogenous variables

$$s_{\hat{u}} = \sqrt{\frac{0,0612}{14 - 2}} = \sqrt{0,0052} = 0,0718$$

$$s_{\hat{u}} = \sqrt{s_{\hat{u}}^2 \left[\frac{1}{n} + \frac{\bar{x}^2}{\sum (x_t - \bar{x})^2} \right]} = \sqrt{0,0052 \left[\frac{1}{14} + \frac{1830,9618}{3.767,4159} \right]} = \sqrt{0,0029} = 0,0536$$

$$s_{\hat{b}} = \sqrt{\frac{s_{\hat{u}}^2}{\sum (x_t - \bar{x})^2}} = \sqrt{\frac{0,0052}{3.767,4159}} = 0,0012$$

- correlation report:

$$R = \sqrt{\frac{V_x^2}{V_0^2}} = \sqrt{1 - \frac{V_u^2}{V_0^2}} = \sqrt{1 - \frac{\sum_{t=1}^{14} (y_t - \hat{y}_t)^2}{\sum_{t=1}^{14} (y_t - \bar{y})^2}} = \sqrt{1 - \frac{0,016}{0,1759}} = \sqrt{0,6485} = 0,8053$$

- Durbin-Watson alternative, d :

$$d = \frac{\sum_{t=2}^{14} (\hat{u}_t - \hat{u}_{t-1})^2}{\sum_{t=1}^{14} \hat{u}_t^2} = \frac{0,0611}{0,0618} = 0,9877$$

Thus the estimated model becomes:

$$\hat{y}_t = -0,0625 + 0,0055x_t$$

$$R = 0,8053$$

$$d = 0,9877$$

$$s_{\hat{u}} = 0,0536$$

$$s_{\hat{b}} = 0,0012$$

$$s_{\hat{u}} = 0,0718$$

Using the Durbin-Watson test to check if the phenomenon of autocorrelation has been removed - for a threshold of significance $\alpha = 0,005$, $k = 1, n = 13 \cong 15$ theoretical values of the Durbin-Watson variable are $d_1 = 1,36 < d' = 1,9872 < 4 - d_2 = 2,64$, which indicates independence of errors, thus eliminating autocorrelation.

Checking the verisimilitude of the model is done using dispersion analysis (analysis of variance) - see Table 2.

From distribution of Fisher-Snedecor table, with a significance level of 5% and depending on number of degrees of freedom $v_1 = k = 1$ și $v_2 = (n-1)-k-1 = 11$ is taking the theoretical value $F_{0,05;11} = 4,84$.

Because $F_c = 7,9475 > F_{0,05;11} = 4,84$, is resulting that the linear model is properly estimated.

Correlation ratio is significantly different from zero if the inequality is verified:

$F_c \geq F_{\alpha;v_1;v_2}$, where empirical value of the variable-Snedecor Fisher is:

$$F_{c_R} = \frac{R^2}{1 - R^2} \cdot \frac{(n-1) - k - 1}{k} = \frac{0,4194}{0,5806} \cdot 11 = 7,9475$$

Is found that $F_c = 6,2426 > F_{0,05;11} = 4,84$, so for a 5% significance level, the correlation ratio is significantly different from zero.

Table no. 2. Dispersion analysis

Variation source	Variation measure	Freedom grades number	Corection of dispersions	F test value
The model explained variance	$V_{x^*}^2 = 0,0342$	$K=1$	$s_{y^*/x^*}^2 = 0,0342$	$F_c = 7,9475$
Residual variance	$V_{z^*}^2 = 0,0474$	$(n-1)-k-1=11$	$s_{z^*}^2 = 0,0043$,
Total variance	$V_0^2 = 0,0816$	$(n-1) - 1=12$	-	,

Source: Own contribution

5. Conclusions

$\hat{y}_t^* = -0,0287 + 0,0053x_t^*$ model can be considered as representative for describing the dependence of productivity SC CNFR NAVROM company and turnover of this company during the period 1997-2010, explaining 41.94% of the total variance of the dependent variable, meaning, the labor productivity is due in proportion of 41.94% of turnover:

$$V_0^2 = V_x^2 + V_u^2 \Rightarrow 100 = \frac{V_x^2}{V_0^2} \cdot 100 + \frac{V_u^2}{V_0^2} \cdot 100$$

$$\Rightarrow 0,0816 = 0,0342 + 0,0474$$

and therefore can be used to determine prognosis.

After verifying the verisimilitude of the model using dispersion analysis is resulting that linear model is properly estimated and is representative to describe dependencies between labor productivity at SNCF Navrom company and its turnover in the period 1997-2010.

In conclusion unifactorial econometric model used, revealed that the variation in labor productivity is due on proportion of 41.94% to turnover. Financial risk represented by the economic crisis does not affect the model. According to Professor Negoescu, the risk is "the variability of results being possible based on an uncertain, unclear event"[2].

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Decision-Making Model for the Company's Obligations Reduction in Current Crisis Conditions from Romania

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Abstract

In the actual economical - financial crisis, companys' managers are increasingly faced with the need to address decisions subject to instability of the economic environment. As a result, special connotations began to act for the debt management problem, especially while reducing cash available to traders through bank financial institutions lending operations.

In this paper I aim to develop a decision model, which taking into account both external influences (economic crisis) and the various interests and internal influences, to provide the best solution for reducing the company's obligations under the current crisis in Romania.

Key words: decision-making model, crisis, manager, obligations

J.E.L. classification: M10

1. Introduction

Facing with lower demand, companies from Romania and from other countries from EU, once the crisis started, have decided to reduce production and to send some employees in unemployed. In professor's Negoescu opinion, „Romania, (...) can not overcome the financial crisis without business development.”[1].

Thus, it appears that economic agents are facing today with a dynamic economic environment transformed by the direct effects of the economic crisis. In these circumstances managers entities are forced to adapt their economic activities through various types of decisions.

An important consideration is given to financial decisions. Financial issues touch all aspects of economic life of an agent. In this

context fits debt management. Debt management problem can be approached through a decision model. In this chapter we aim to develop a decision multidimensional model through which to streamline the debts management of CNFR NAVROM company, in order to reduce them.

2. Decisions fundamentation

To substantiate decisions, the source information is in times past, and proper evaluation and comparison of alternatives aimed the decision-making horizon, meaning that is referring to future consequences, which will be obtained in the future.

Methods and models used are extremely varied because of the variety of decision situations. Methods of substantiation decisions are different, having regard to:

- How important are the issues addressed, the result of the consequences of decisions to be approved;
- Certainty of information that can be used, factors that can influence;
- How big is the decision horizon;
- Decision criteria and their number;
- Decision problem and its reflection in the company.

For each decision problem is developing a model which must contain data about the accuracy of assessments and methods of substantiation.

3. Elaboration of decision-making model

The proposed decision model provides a framework for identifying the best methods of debt management company.

In making a decision to reduce debt, decision style and level of participation

required of the group are influenced by three important factors:

- quality of decision: how important is finding the right solution? As required quality higher opinion, the more should be sought even more people.
- Involvement: how important it is for others to support the decision? The more necessary is the approval of others, the more it should be involved more people.
- Available time: How long is available for decision making? The more time is available should be involved much more people.

Table no. 1. Submission criteria

Decision criteria	Departments participating in decision making
x1 The level (amount) of payable debts	P 1 Financial Department
x2 The level of receivables trade	P 2 Judicial Department
x3 Stock value	P 3 Human resources department
x4 The level (amount) of financial debts	P 4 Supply Department
x5 Nivelul (cuantumul) datorilor sociale	P 5 Marketing (sales) Department
x6 Liquidity (short term investment + banks)	P 6 Accountancy Department
x7 Repartizarea profitului (129)	P 7 Investments Department
x8 Cash flow	P 8 Mnagement Department
x9 Net profit	
x10 Turnover	
x11 Working capital requirement	
x12 The value of fixed assets	

Source: Own contribution

To determine which of these ways are best suited to make debt relief, is necessary to answer a few questions in the affirmative-negative way and then to be built a decision-making scheme. There are five questions:

- Have the debts came to maturity?
- There are funds for payment?
- Does the claims cover the receivable debt amount?
- You can renegotiate payment terms?

- What are the methods that can be made to obtain funds?

Relations between hierarchical decision criteria for each department are directly involved in decision making:

Table 2.Ordering criteria

	p1	p2	p3	p4	p5	p6	p7	p8
Order by degree of importance (descending)	x8	x10	x1	x12	x4	x9	x5	x3
	x1	x11	x11	x4	x5	x7	x11	x12
	x6	x12	x12	x5	x7	x8	x3	x5
	x11	x3	x2	x7	x12	x11	x4	x4
	x7	x8	x3	x9	x1	x12	x1	x1
	x10	x9	x4	x10	x6	x3	x2	x2
	x9	x6	x7	x8	x11	x5	x10	x11
	x3	x5	x8	x11	x3	x4	x8	x6
	x4	x7	x9	x2	x9	x1	x9	x8
	x12	x4	x10	x6	x10	x2	x7	x9
	x2	x1	x6	x3	x8	x6	x12	x10
	x5	x2	x5	x1	x2	x10	x6	x7

Source: Own contribution

After calculating D matrix, and the k_j important coefficients, we obtain the following data:

Table no. 3. The estimation of relative importance of decision criteria (1)

	x1	x2	x3	x4	x5	x6
p1	11	1	3	2	1	10
p2	6	7	1	5	3	2
p3	1	1	1	1	7	6
p4	10	7	9	1	1	8
p5	3	10	6	1	1	4
p6	9	10	6	8	7	11
p7	5	6	3	4	1	12
p8	5	6	1	4	3	8
$\sum_i N_{ij}$	50	48	30	26	24	61
$k_j = \frac{\sum_i N_{ij}}{\sum_i \sum_i N_{ij}}$ $0 < k_j < 1$	0,104	0,100	0,063	0,054	0,050	0,127

Source: Own contribution

Table no. 4 The estimation of relative importance of decision criteria (2)

	x7	x8	x9	x10	x11	x12
p1	7	12	5	6	9	1
p2	4	1	1	1	1	1
p3	2	3	4	5	1	1
p4	1	5	2	4	6	1
p5	1	9	7	8	5	2
p6	2	3	1	12	4	5
p7	10	8	9	7	2	11
p8	12	9	10	11	7	2
$\sum_i N_{ij}$	39	50	39	54	35	24
$\sum_j \sum_i N_{ij}$						480
$k_j = \frac{\sum_i N_{ij}}{\sum_j \sum_i N_{ij}}$ $0 < k_j < 1$	0,081	0,104	0,081	0,113	0,073	0,050

Source: Own contribution

For C.N.F.R. NAVROM Company, from 2005 - 2010 were recorded the following values on the selection criteria:

Table no. 5. The allocation values for criteria

Current prices indicator	2005	2006	2007	2008	2009	2010
x1 The level (amount) of payable debts	11.054.002	11.458.073	14.037.300	14.536.670	14.319.245	19.028.166
x2 The level of receivables trade	17.999.076	27.143.266	36.146.362	43.446.509	46.005.115	55.142.576
x3 Stock value	3.648.021	3.591.273	4.526.511	5.252.316	5.890.681	6.616.508
x4 The level (amount) of financial debts	17.977.894	59.125.121	56.830.039	50.629.833	47.072.673	39.052.700

Current prices indicator	2005	2006	2007	2008	2009	2010
x5 Nivelul (cuantumul) datoriilor sociale	1.820.677	6.380.754	3.893.107	3.837.074	2.720.614	3.312.738
x6 Liquidity (short term investment + banks)	12.435.972	12.668.710	18.403.632	8.252.498	16.181.048	14.882.566
x7 Repartizarea profitului (129)	33.368	25.000	120.000	340.000	300.000	80.000
x8 Cash flow	18.456.363	17.918.426	19.661.961	34.835.242	30.308.499	28.202.000
x9 Net profit	1.111.214	1.479.476	2.572.854	9.684.500	6.267.428	2.217.634
x10 Turnover	137.247.117	142.139.688	155.232.835	199.945.306	156.160.170	185.905.402
x11 Working capital requirement	20.454.612	21.295.137	15.652.671	28.089.995	28.179.528	34.577.108
x12 The value of fixed assets	182.153.082	208.144.996	282.141.102	295.228.535	288.920.626	280.377.947
xb Total debts	30.852.573	76.963.948	74.760.446	69.003.577	64.112.532	61.393.604

Source: Own contribution

Table no.6. Determination of estimated values for the indicator "Debt" based on decision model

	2005	2006	2007	2008	2009	2010
Debts	30.852.573	76.963.948	74.760.446	69.003.577	64.112.532	61.393.604
Debts estimation	30.852.573	33.071.654	36.778.051	37.691.592	33.745.261	19.630.744
Debts (adjusted)	41.447.347	98.590.817	89.862.056	78.029.245	69.215.890	61.393.604
Debts estimation (adjusted)	41.447.347	44.428.461	49.407.634	50.634.884	45.333.383	26.371.941

Source: Own contribution

4. Conclusions

Heuristic or rational models are used in particular in economic theory to explain in the simplest way a complex system of dependencies and interdependencies that are manifested in the economic field. The theoretical model is actually a simplified form of the real model because in its frame can not be included all factors.

Decision-making and operational models are mainly used in economic practice, being used to substantiate the economic policy decisions (simulation) and forecast economic phenomenon [2].

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The Management of The Technological Transfer in The Case of Chicken Meat Semi-Products Made at SC AVI-TOP SA IASI

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Abstract

Innovation should be a product food solution, idea, object, procedures or process that is absolutely new or relatively new and implemented to the market is a source of profit for a company.

Innovation activity of enterprises, including the enterprises of food industry, concerns different areas of activity: technology, organization and management, marketing, finance and logistics as well as.

Now, there are five sub processes involving in bringing the new solution to the market: imaging the dual techno-market, insight, incubating to define commercializability, demonstrating contextually in products and processes, promotion adoption, sustaining, commercialization, are the stages of creating a different kind of value which determines the sense of the whole process and future profits.

The innovation commercialization process starts with the concept or a new concept processed. Willing to introduce-an innovation, one needs to imagine first its potential, to combine an idea technology with a potentially attractive market opportunity.

Key words: poultry products, quality, nutritive addition

J.E.L. classification: O320

1. Introduction

The problems accruing during creating and implementing innovation are : to create and develop a new solution properly and to

transfer the solution from the mind to the market profitably.

The next step, incubation of innovation, defining resources need to be involved in developing and implementing the innovation and evaluating future benefits.

At this stage one needs to define the formal activities that have to be arranged in order to implement the innovation.(intellectual property rights) and final arguments able to convince others of the advantages (profits) of implementing a new solution.

After visioning and defining all expeditors, benefits, barriers and opportunities, the innovation needs to be demonstrated in the form of sale able products and process. The challenge is to show the market potential and possibility of its realization.

Promoting the innovation on the market is the determinant of successful commercialization.

The promotional challenge has tow dimensions the : to persuade the potential client to adopt, to create a proper infrastructure in order to the level the innovations full benefits.

To receive all the benefits from solution implementation one expects, the innovation needs to be sustained on the market. Sustaining means developing and improving the solution, watching forces creating new applications of the solution.

The main activities and main problems discovery at the stages of the service innovation commercialization process are presented in the fig. no.1. The commercialization process proceeds within the innovation system of a company.

Elements of these system are: people characterized by defined abilities objectives appointing direction of the innovating policy, procedures and principles ensuring systematic and coordinated activity and supervising the development of new undertakings in order to maximize the exploitation of the enterprises resources.

System solution should include also measurement of results of innovation actions. So that, the level of development of the innovative system determines the success innovation of commercialization.

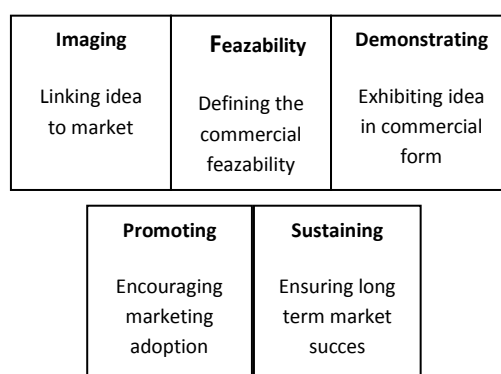
Following the policy of promoting the total quality management the company SC AVI-TOP SA Iasi had reached its strategies long-term objectives such as: improving the quality of the primary materials by constructing new and modernizing the chicken farms, has made important investments for the improvement of a slaughter house by implementing the system HACCP on technological flow, which can function at European standards. Starting with 2009 the company SC AVI-TOP SA IASI had defined a new strategic objective, respectively the introducing of new products made of chicken meat on the North-East Region market of Romania. With this goal the company had accepted the collaboration with USMAV Iasi within a research project for the achievement of some chicken meat semi-products. Thus the products were tested from the physical-chemical and nutritional point of views, controlling the new technological recipes which can satisfy different categories of consumers. The present paper is completing the series of determinations, by presenting the possibilities of technological transfer of the researched chicken meat recipes at the level of industrial production.

The positive results obtained by the determinations of nutritive substances and the study of the optimum quality level for different conditions of storage and conservation of the chicken meat semi-products represents the arguments for the technological transfer for the production company but also for the de trustworthy consumers. They are watching the company products, their quality as well as their food safety in order to follow a more healthy and balanced nutrition.

2. Material and method

Through competitiveness is one of the most often mentioned concepts nowadays surprisingly there is now single and accepted definition and measurement methodology of it in literature. Most of existing models and methods are eligible to major competitiveness at national level, international and national literature competitiveness measuring methods at corporate level is rather modest.

Fig.1–The process of innovation commercialization



The most cases the innovation commercialization process starts with a new technology processed. For to introduce an innovation, one needs to image first it is necessary to combine an new technological idea – mew product with potentially attractive market opportunity. The next step if defining the commercial feazability of the innovation through requires materializing market opportunities : defining the resources need to be involved in developing and implementing the innovation and evaluating future benefits.

After defining the benefits, barriers and opportunities the innovation needs to be demonstrated in the form saleable products and processes.

Promoting the innovation on the market is the determinant of successful commercialization. The promoting challenge has two dimensions: to persuade the potential client to adapt, to create a proper infrastructure in order to deliver the innovation's full benefits.

The sustaining of the innovation means developing and improving the solution, watching forces influences its use, being aware of competitors and creating new applications of the solution.

The development process of a new product consist of : the phase of generating ideas and of delineation of the concept of new product, the new product dvelopment phase and production and commercialization phase. The changing from one phase to another is an important decision and it must be based on a preestablished set of clear and precise criteria, which must be in concordance with the innovation policy and global strategy of the firm.

1.The 1st stage of generating ideas for new products is meant to produce a large quantity of ideas which, afterwards crossed through differents filters, to be subdue to a process of selection of the most valuable and feasible of it, to be improved and developed in trhe next stage.

2.The 2nd stage includes selecting ideas which are to undergo of much deeper evaluation to establish the technical and commercial perspectives of development, is a necessary and important process, meant orientate the efforts to some certain directions, established by the innovation strategy at the level of organization.

3.The 3rd stage consist in transformation of ideas into new products concepts and it is essential to be able to test their validity.

4.The commercial analyses of the product ideas, is realised throughout financial costs and expenditures, the planned profit but also the period of the investment recovery, the product life time, direct and indirect costs, the price calculation and break even.

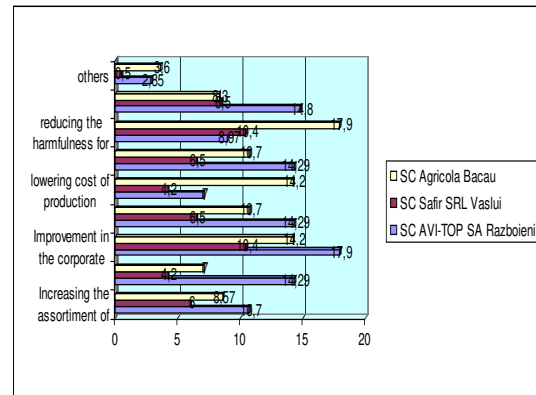
5.The preliminary technical analyse must establish if the product is feasible technically speaking, the level of concordance with the technological potential of the company and its evolution, development, integration and adoption of new technologies possibilities.

3. Results and discussions

Examined enterprises don't have any intended innovative policy. There is lack of formalization and procedures connected with the measurement of effects of innovative actions. The innovation is not an integral of a

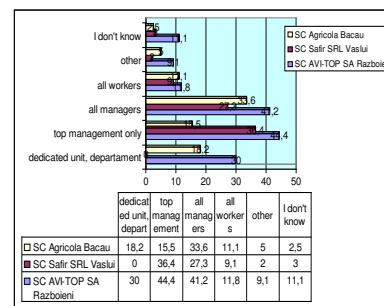
values system of enterprises and has no reflection in practices.

Fig.2–Effects from implementing innovation in last three years in examined enterprises



The majority of innovative actions are selected by the need to accommodate itself to formal – legal and market requirements. So that, commercialization process is low coordinated with strategy and procedures within the companies.(SC AVI-TOP SA Războieni, SC Safir SRL Vaslui, SC Agricola Bacău).

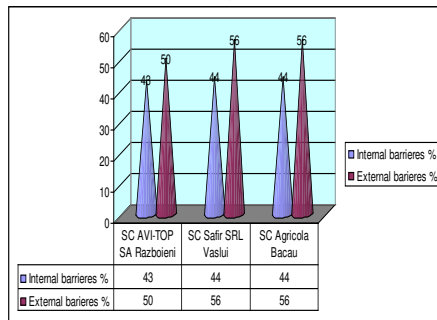
Fig.3–Subjects responsible for innovativeness in examined subjects



All examined enterprises pointed workers as valuable resource of the company and important stakeholder of commercialization process should be planed on the strategic level and carry out by deeply involved personnel.

For the commercialization process to success it is important to manage the innovation' s stakeholders' needs properly.

Fig. 4–Barriers of innovative activity in examined subjects



Additionally it is internal situated barriers of innovative activity that proves about the potential of the innovation development.

4. Conclusions

Commercialization is a process of creating certain value which is demanded by customers and should be seen as planned activity. The aim of the process is to put innovation into market existence in gain benefits.

It depends on many factors processed resources, ability to exploit them affectively positive, context for innovation activities.

System solution influence the proper functioning of innovation commercialization process.

The researches show that examined enterprises are still not well propose to gain full benefits from the innovation commercialization.

The first step is to enhance awareness in order to improve innovation system creating the environment, for new solution commercialization.

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The Impact of the Arab Media on the Economy

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Abstract

Before the war in Afghanistan in 2001, the Arab media was almost unknown for the countries outside the Middle East. Media is probably one of the most important weapons of the governments in order to manipulate and to mobilize people and due to this fact it can have a major influence on the global economy.

The development of the Arab media can be divided into 3 historical stages: the colonial phase, when the Arabic media was created due to Napoleon, the post-colonial phase, which tried to use media in order to shape national transformation and independence and it was mainly influenced by loyalists, and the 1990s phase, when the first transnational satellite media emerged. Media itself can be defined as a battle zone.

This paper has the aim to present the Arab media in brief, to show its relations with other international media and to present its influence on the media industry and economy.

Key words: Arab media, history, transformation, industry

J.E.L. classification: F01,F52,F53,F59,Z12

The concept of mass media is complex and it creates numerous debates, especially when we have to discuss about mass media in the Middle East. Mass media represents more than just a modality to inform, educate and entertain people; it is also a reflection of the economic and political situation of a country.

In the Arab world, mass media is a controversial issue, as the media in the Arab world plays a greater role in the political playground. It is also a challenge for the Arabs, due to the fact that other powers of the world pay special attention to the Arab mass

media, they monitor it 24 hours a day in order to detect the Arab policies and ideas. In the late years, the development of the Arab media is remarkable. If we compare and contrast the media in two Arab countries, we can clearly observe that the governments have a significant influence in its development.

In order to understand the development and the impact of the Arab media, it is necessary to make an incursion in its history. Ayish (2001) said that there are three historical stages of the development of the Arab media: the colonial phase, the post-colonial phase and the 1990s phase.

When the Arab media emerged, it was part of the colonial stage and its main purpose was to manipulate people in order to serve the interests of the colonizers and to promote their ideas.

After the Middle Eastern countries were not a colony anymore, the main roles of the media were to promote the nation building and to encourage the development. Therefore, new cultural and political strategies were adopted. As Mustapha Lahlali (2008) notes, the post-colonial phase was characterized by “the dominant paradigm”. During this phase, media was the main instrument used in order to transform these countries and to promote the independence. It is important to mention that due to the high illiteracy rate, radio was the most popular medium of communication.

It must be mentioned that the media has and will always be controlled or influenced by the government. If during the colonial phase, the colonizing countries were the ones that were promoting their own culture identity, religion and political views, whereas after the colonial phase the governments of the Arab countries tried to preserve the Arab identity and unity by promoting their own ideas and by controlling the media. Another

reason for which the Arab governments are controlling the media is that they are trying to protect the government.

The last stage, as well as the most significant one, was in the 1990s when the mass media in the Arab world has significantly expanded.

Due to the fact that the media in the Middle East represents a domain that can be discussed in very much detail a summary of all the media and its influence would be superficial. Therefore, this paper is going to take the example of Al-Jazeera and its influence. All the media in the Arab world has been created for certain purposes, aims different subjects and has different funding. Al-Jazeera is the oldest and it can be argued that it is also the most important transnational media in the Middle East due to the fact that it is broadcast in most of the countries of the world and due to the fact that it has the most viewers between the visual media from the Middle East.

Al-Jazeera is a Qatari channel which was launched in November 1996 and the meaning of "Al-Jazeera" in Arabic is "peninsula". Because prince Hamad bin Khalifa wanted to transform Qatar into a Middle Eastern country that had a role similar to Switzerland in Europe, Al-Jazeera was the first transnational channel in the Middle East and the Qatari Ministry of Information decided not to censor the media anymore. Due to the fact that BBC English was in conflict with the Saudi government, the BBC English was forced to close, and Al-Jazeera benefited from this hiring 120 out of 250 journalists from BBC.

First of all, what Al-Jazeera brought new in the Middle East was a platform for discussions and debates. What is more important is that Al-Jazeera was that it was the first channel that wanted to change the flow of information. Instead of having information from Europe and from the USA to the Middle East for example, now the information goes from the Middle East to the other parts of the world. In this way, people can have a better image of the events and of the culture and the concept of monopoly concerning the news is starting to lose territory. The four main broadcasting centres of Al-Jazeera are in Kuala Lumpur, Doha, London and Washington DC. The motto of

Al-Jazeera is "the opinion and the other opinion".

Moreover, Al-Jazeera offers a large variety of programs that deal with all aspects of life: politics, culture, history, religion, education, sports. It can be stated that Al-Jazeera has a significant role in education, as people in the Middle East prefer to watch a Middle Eastern channel, rather than a foreign one. This was a challenge for Al-Jazeera as well because they had to combine the programs that dealt with all the aspects of life in order to gain popularity. Maybe that due to the fact that Al-Jazeera was a pioneer in the transnational televisions in the Arab world, it succeeded in gaining more popularity and therefore in having a greater influence on the public. Mass media is the main tool for mobilizing masses, for changing or developing the ideas, for influencing people.

In the beginning, Al-Jazeera was welcomed by the countries outside the Arab world because it symbolized the fact that the Arab world wants to embrace democracy and to follow western patterns.

Al-Jazeera allows people to call and express on air their opinions. Therefore, Al-Jazeera was also accused for being detrimental for the Arab unity and for being divergent for the Arab governments. Al-Jazeera has received many critics regarding its coverage about Qatar. Some voices say that Al-Jazeera does not criticize the Qatari government and that it does not intervene in its politics. The answer of Al-Jazeera was that Qatar is a small country with nothing negative to comment upon.

Some of the governments in the Arab world did not approve Al-Jazeera's policies, and even though they tried to pursue Al-Jazeera to change its policies, the Qatari government was not influenced. Some countries like Morocco, Egypt and so on closed the bureaus of Al-Jazeera or others, as Saudi Arabia, did not allow the channel to open a bureau. Saudi Arabia did not allow this due to the fact that Al-Jazeera was very critical on several internal characteristics of the country, for example of not allowing women to drive.

One of the programs that shocked most was "The Opposite Direction" which was highly critical on kings or presidents for example and the program had many reactions. This program was banned for a

period of time when a gentleman called in and criticized the Qatari emir, but it was relaunched and it still exists.

Al-Jazeera was the only one who had a base in Afghanistan because the other channels refused to have a bureau there before the war. Therefore, Al-Jazeera was the only channel to broadcast from Afghanistan.

Kuwaiti government protested about Al-Jazeera when a gentleman criticized the Kuwaiti emir on air and Al-Jazeera said that this is an open channel and that people are offered freedom of expression.

Al-Jazeera was the first channel that allowed an Israeli official to speak in the media. Al-Jazeera was the only channel that has broadcast the messages of Osama Bin Laden and Al-Qaeda.

It was and still is considered to be the most influential channel on the Arab public.

In the beginning, Al-Jazeera was welcomed by the countries outside the Arab world because it symbolized the fact that the Arab world wants to embrace democracy and to follow western patterns.

Even though in the beginning, the USA was happy with the creation of Al-Jazeera, the events from September 11 changed the position of the USA towards the channel. Al-Jazeera was the only channel that covered the events in Afghanistan and the USA complained to the emir of Qatar about this monopoly. The USA bombed the bureau of Al-Jazeera in Kabul. The journalists from the USA were forced to live the country.

Al-Jazeera has received many critics. The channel was accused of not being responsible regarding its coverage, of lack of professionalism, fairness and honesty, of being aggressive. What is most important, Al-Jazeera was accused of rising Arabs against other nations.

Al-Jazeera gained more influence in the worldwide media after the 9/11 events.

In 2003 was launched the website of Al-Jazeera, and in 2004 they launched a mobile service in order to permit the public to interact. Now the site of Al-Jazeera is in French, Turkish, Urdu and so on. From 2011 Al-Jazeera started to transmit its news from the Balkans, particularly in the countries from former Yugoslavia, in the local languages and it has studios in Serbia, Croatia and Macedonia.

What needs to be mentioned is that Al-Jazeera English is following the international laws, whereas Al-Jazeera Arabic does not follow these rules so the context can differ.

It can be summarized that Al-Jazeera created multiple reactions in the world. Now, the channel is the most influential in the Middle East. It is also interesting how other transnational channels have emerged after the creation of Al-Jazeera. Due to the fact that President Bush considered that Al-Jazeera was hindering the image of the United States of America and has perceived Al-Jazeera as a threat, saying that it expresses anti-American feelings, Al-Hurra and Radio Sawa were launched. It is interesting that it was never mentioned that Al-Hurra and Radio Sawa were broadcasting from the United States of America. The main purpose of Al-Hurra and of Radio Sawa was to promote the foreign policies of the United States in the Middle East. Al-Hurra and Radio Sawa lost their credibility due to the fact that some people considered that the United States of America are trying to colonise the Middle East, because they did not offer a debate platform and the people could not intervene on air in programs and because of the content - for example instead of broadcasting the death of Sheikh Ahmad Yassine, they were broadcasting an advert about a sandwich. Moreover, it must be mentioned that Al-Jazeera does not have to respect the same broadcasting laws as Al-Hurra does, because Al-Hurra is an American funded channel and it must respect the American charter. What Al-Hurra broadcasts must not contradict this charter and sometimes Al-Hurra cannot broadcast anything about certain subjects.

A feature of the transnational media is that it can overcome the difficulties of the censorship laws and it can somehow surround them. The transnational media can unite people from different cultures and can help people in understanding and learning about the other people with the help of the communication and debate platforms. Therefore, it can be stated that Al-Jazeera does not have so strict laws as other national media. Being a transnational channel, it cannot be the tool of the governments. There are many discussion regarding Qatar and the channel and Al-Jazeera was criticized for avoiding to put Qatar in a bad light. The answer of Al-Jazeera was that Qatar is a

small state and that there is nothing to say about Qatar. All in all, the affirmation that Al-Jazeera is freer and more accurate than national channels can be made due to the fact that not all the Middle Eastern governments could influence Al-Jazeera. If this would happen, there would probably be no transmission or no viewers.

Another point that needs to be mentioned is that being a transnational channel, Al-Jazeera is forced to take into consideration what the people from all over the Middle East want and need. Al-Jazeera can be described as a forum for debates. This particular feature of the channel has changed the people themselves by offering them a voice and, implicit, power. Their voices are now heard all over the world and what is more important; their voices are heard by Arabs from all over the globe. By stating their opinions, their needs, their wishes, all of them can be considered as the core of transformations. One good example is the Arab Spring. People have stated their wishes for changes, their desire of creating and living in democratic countries. Even though these wishes and desires are not new, with the help of the transnational media the Arab people could communicate and agree upon what is going to happen next. The power was not solely in the hand of the government, but in the hand of the people by using the most influential and powerful weapon – the transnational media.

It can also be stated that the transnational media can help people from all the layers of the society to reach the same level. By sharing ideas and thoughts, by asking questions – Al-Jazeera allows people to call in different programs or to post almost everything on their internet site; they can understand and learn what they would like. This has a significant role in the education as young people are the most likely to watch television, especially the ones which were born with the television era. The media can shape their minds.

What needs to be mentioned and must not be forgotten about Al-Jazeera is that on many occasions it was the only channel that presented other sides of the stories. For example when the Americans started the war on Iraq, Al-Jazeera was the only channel that showed on air how innocent people are dying. The reporters of Al-Jazeera have

raised numerous questions and have given remarks that other channels did not show. The war on Iraq was one of the best examples of how can people be influenced by television. If the United States of America were showing only terrorists, Al-Jazeera was showing the public what a war means, what a war does to innocent people. Some might argue that Al-Jazeera tried to provoke the West, but this is a question that needs to be analyzed from all points of view and not solely from the West or from the Middle East. It would also be improper to state that Al-Jazeera does not want to be one of the main channels of the world, but the question is how the channels achieve this.

Some have argued that Al-Jazeera instigates the Arabs and accused the channel of not being aware of its actions. The main points that were criticized at Al-Jazeera were that the channel was offering the public images about war, dying people, and hurt people. Another normal reaction was that as long as these unfortunate events do happen, they should not be hidden.

Another positive side of Al-Jazeera is that it helped the Arabs in having a common identity. Through history there were many attempts to create a united Arab nation. Being as well an Arab channel, it is the most likely to achieve this, as each individual has national feelings. By educating and offering the people a platform to discuss and debate, Al-Jazeera has also given the people a feeling of a greater belonging. The religion, the language, the culture, although they have some differences from one country to another, is still uniting all Arab people. This sense of belonging underlines and increases the power of a Middle East with a single voice – the voice of its own people.

If we compare the Middle East with the European Union or with the United States of America, it can be stated that the Middle East, through transnational media as Al-Jazeera, could be more powerful. This is because the United States of America or the European Union has the powerful tool of transnational media to unite the people and to facilitate communication between them. Moreover, having a common language, the Middle East can communicate more easily than the nations from the European Union and many bodies, either governmental or non-governmental, are not needed.

Another point that needs to be mentioned about the media is that one single minute of transmission can express more than an entire newspaper or a whole hour of radio. The mix of sound, image and writing where needed, can offer the public the exact image of what the producers or the broadcasters want to transmit in only one minute. This has a greater influence on the public.

Moreover, it can be also said that Al-Jazeera has helped the economy. In order to create a transnational channel, big investments are needed in order to have the right infrastructure. Furthermore, people needed to be trained, equipment had to be bought and even the city's infrastructure had to be changed in some cases.

Conclusions

In conclusion, Al-Jazeera is one of the key agents of change in the Arab world. The status of being a pioneer in the field of transnational mass media in the Middle East was challenged by many factors, not only the challenges that a transnational media has, but also the challenges of being the first transnational media in a region from which the West does not have accurate data. Al-Jazeera was started a chain of changes. Not only that the channel manages to offer a platform for debates and communication, but it can be stated that Al-Jazeera has strengthened the powers and the voices of the people.

The result can be seen as a common government. One of the desires of the Arab people was to be united and represented by a single voice, but without cancelling the features and the characteristics of each of its nations.

Al-Jazeera is this voice.

Al-Jazeera offers a platform for the Arabs to learn and discover their culture, but it also offers them a platform to show the other parts of the world the other part of the reality or their own opinions.

Al-Jazeera provoked the monopoly of the countries outside the Middle East and it faces and endless fight against constraints.

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Views on the Purpose of Management Accounting in the Romanian Energy Sector

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Abstract

*The energy sector, an industry sub-branch, is the basic strategic infrastructure of national economy, on which the entire development of the country is based. At the same time, energy represents a public utility with a strong social impact. The particularities of the energy sector, such as: long implementation periods for various sectoral policies, reaching the aimed strategic objectives, large capital needed for the development of this system, the necessity of achieving production simultaneously with consumption, and others, require the existence of **medium and long term strategies**, as well as the **organization and implementation of management accounting** in order to ensure an operational information basis for increasing the efficiency of activities run by managers that operate in this system. The goal of this scientific approach is to underline a few essential issues regarding the purpose of management accounting in the energy sector.*

Key words: management accounting, energy sector, relevant information, purpose.

J.E.L. classification: M40, M41.

1. Introduction

The information helps any decision-maker to keep under continuous observation the development of economic processes in any sphere of activity, and enables the possibility of working effectively on them. The management information is being used by management factors of economic entities as a product of management accounting.

One of the compelling needs of the energy sector is both organising and leading a management accounting by implementing modern costing methods, able to facilitate the determination of performance.

2. Research methodology

This article is part of a doctoral thesis, the applied research method is the **basic** research, and the information on the topic was gathered by studying the national and international literature in the field, by analyzing the legislation, by navigating specialized websites and various articles from databases. The main research methods that were used in my scientific approach were **documentation, analysis and synthesis**.

3. The purpose of management accounting in the energy sector

Management accounting has an active role, being that type of accounting approach that allows the separation and structuring of financial results and assets into subdivisions, identifying how profit or loss was generated and being based on the principle of effective management of assets.

Management accounting may be defined as “*mainly aiming to reflect all operations of collection and distribution of expenses by destination, product, work, service, order, manufacturing stage, activity, department, etc, aiming also to settle the obtained production, as well as to calculate the production cost of manufactured products, provided services and production in progress*”[1].

Defined by literature as managerial accounting, cost accounting or internal accounting, management accounting provides confidential information about the consumption of resources, the calculus methods of costs and the internal management of the entity. *"Still, we believe that there should be a distinction; thus, management accounting should include the specific elements of financial (general) accounting, and particularly the elements from the other side of accounting, cost accounting. A special place in management accounting should belong to management control which is responsible for the proper functioning of the information system necessary for making decisions within an entity. Internal control should be added to these elements, it helps the entity reach its objectives, making systematic assessments and improving risk management and the control and management of processes"* [2].

Management accounting provides confidential information necessary to prepare reports and conduct internal analyses used by the entity's management to substantiate decisions. *"In systems of analytical accounting, the main logic is to cumulate the costs of the products manufactured during the production cycle"*[3].

The study of costs aims to solve the issues of production costs, while costing is the set of mathematical operations used in accordance with the appropriate methodological provisions to determine the production cost per unit.

4. Principles, premises and factors of costing in the energy sector

Accounting law no. 82/1991, republished, mentions five **principles** for ensuring a real and accurate content of cost structure:

- the principle of separating expenses related to the production of costs;
- the principle of delimiting costs in time;
- the principle of delimiting expenses in space;
- the principle of delimiting production expenses from expenses that are not related to production;

- the principle of delimiting expenses related to the finished production from the expenses related to production in progress.

Mentioning these principles is not relevant, because it implies that each entity that operates in the accounting environment knows them, what is relevant is complying with them.

Among the objectives of costing are included: delimiting costs by using cost techniques, procedures and systems, establishing sale prices on the basis of cost structures, determining profitability and control efficiency through rates of return, assisting the decision-making process by providing the necessary information for operations management.

The premises of organizing costing aim:

- to choose and implement costing methods;
- to choose the specialized department in executing the costing procedures;
- to plan and establish the length of time necessary to conduct the costing procedures;
- to choose the necessary means for executing the costing procedures.

"Costing shouldn't be perceived just as a post-factum action, as we are tempted to do, but as a corollary of three costing methodologies: provisional costing, current costing and past costing"[4].

The factors underlying costing are numerous, among them are found: the type of entity, the type of structure, the type of production, type of the used technology, the degree of specialization and integration, the degree of mechanization and automation of production, the character of the production process.

Depending on the size of the entity, organizing costing is achieved differently: in a centralized manner for small and medium-sized entities and in a decentralized manner for large entities; costing at technical and organizational level (workshops, departments, factories, plants); the determination of the evaluation base for the elements that compose the production of the exercise.

5. Conclusions

The pressure exercised by the gradual settlement of globalization, the development of information technology and of production had the effect of changing the features of global economy, generating significant changes in how entities manage their activity. These changes led to new expectations and to the development of new costing and cost management techniques. Most entities have abandoned the classic costing systems and adopted activity-based costing systems.

The purpose of management accounting in the energy sector is not just to quantify immediate results, but to ensure a viable information basis for the management of entities that operate in this sector through good organization and management.

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Financial Crisis' Effects on Financial Reporting

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Abstract

Accounting practices are tightly related to the current financial crisis and therefore it can be considered a significant matter which requires to study the measures which were taken by the main regulators, IASB and FASB, which were the effects and which are the most probable modifications to be made in the near future. The article took into consideration all participants, regulators, entities, professionals, in order to have a full and clear picture of what imply the crisis on financial reporting.

Key words: financial crisis, financial reporting, financial performance, globalization.

J.E.L. classification: M41

1. Introduction

The financial crisis is a complex global problem that arose from the increasing defaults on sub-prime mortgages in the United States. The real start was given in the fourth quarter of 2008 which was a cascade of negative economic news, including five of the 10 largest single-day losses in the history of the Dow Jones stock exchange index. The housing market in the US crashed, being followed by the immediate collapse of the banking sector. The shock wave moved from west to east, covering in a matter of 2-3 years, the whole world. The crisis generated numerous debates, discussions, theories and rules in the financial area. These were linked to confidence restoring in the long term, which needed businesses to understand and manage risk better, through improved financial and operational efficiency. It can be considered a tough task considering the

transition from a stable global economy to an unstable one, characterized by a fast moving inflow of financial information.

The milestone for a new financial beginning is represented by the well known financial statements. From the accounting profession perspective, the private and academic areas militated for aligning the financial information under the same rules. The reporting function was in a continuous development in the last decades, with its multidimensional feature, being the result of some major changes in professional accountants' way of thinking, no matter if it was an academic perspective or a purely practical one. The crisis lead to a repositioning in the older financial theories and some features like transparency were suddenly emphasized as necessary. A fair valuation and presentation of financial performance are a must, taking into consideration that it can prevent financial collapses and wrongdoings. It can be easily seen without any doubt the actual needs for financial information as a main concern, in financial performance terms, for the global regulators, entities, financial institutions, syndicates and civil society. This article aims to identify and explain the possible effects of the financial crisis upon financial reporting.

2. Research

There are two main issues which concern the regulators as regards financial reporting: fraudulent and incorrect financial data presentation. Most of the damages on real economy come from unfair financial statements. In order to avoid eventual damages in the economy, each side of the financial information, users and producers of the financial information, must trust each other in the market. Ones the public trust

decreased so the collapses in the financial market accelerate and consequences of the manipulation in the financial information may cause huge losses as experienced before and in current time. Consequently, the main purpose of financial statements is to present high-quality financial reporting to the users of financial information, in order for them to take healthy economic decisions. The main purpose of financial information manipulation is to deceive the investors by publishing financial statements that do not present the financial position and the performance of a company fairly. Financial information manipulation prevents decision makers from making rational decisions. So, it is of utmost importance to detect financial information manipulation and prevent it before the financial statements are made public. This subject reveals that the space which accounting occupies can be extended easily, bringing this profession into a new zone called creativity. As a very disputed term, accounting creativity can be developed through financial deregulation. Some accounting professional sustain the idea that concept is useless as the accounting options have always existed, frauds can't be characterized through creativity and some subjective financial evaluations are inherent risks which are also not subject to creativity. The starting point for any debate relating financial creativity is financial misrepresentation, accompanied by three objectives: net result maximization, debt rate reduction and equity raise.

An example of avoiding using tricks in financial reporting was due to a major change in economy, being called Sarbanes-Oxley^{act}. This act was issued following to some major bankruptcies like Enron, Tyco International, Adelphia or WorldCom. These bankruptcies shrank the US economy after were discovered financial frauds. Sarbanes-Oxley was addressed all the companies listed at the New York stock exchange, with the purpose of introducing rules as regards financial reporting:

- It were diminished the risks associated to auditor's independence restriction. It is specified the audit rotation as a must and the prohibition of offering other services to the clients, in case the audit company was employed to audit financial statements.

- It was extended the responsibility limits concerning data accuracy.

- It were enhanced disclosure notes through data presentation concerning stock markets and transactions performed within.

- It was issued an ethical code concerning stock market agents and some possible interest conflicts.

- It was imposed as mandatory the signature of CEO (Chief Executive Officer) on fiscal declarations.

- It were tighten the punishments for frauds through section "White Collar Crime Penalty Enhancement Act of 2002."

The benefits observed represent the common denominator for most of the accounting regulations:

- It was raised the credibility rank in front of creditors, business partners and other participants.

- The fraud risk was reduced significantly, reason for which the litigations number was reduced.

In other terms, financial reporting is being more and more aligned to globalization which determined rapid and major mutations in the business environment, especially in developed and emerging countries. Joseph Stiglitz, Nobel prize winner for economy in 2011, offered a simple but complete definition for globalization: *In essence, it is a more powerful integration of countries and populations, as a consequence of major reduction in communication and transportation costs and artificial barriers disappearance in the flow of goods, services, data and human beings* (Stiglitz J. E. – *Globalization. Hopes and delusions*, Economical Publishing, 2003). This international accounting alignment lead to significant changes in dimensions, politics and organizational forms of all companies. As geographical and economical barriers disappeared, the implications were seen in different areas tightly related to the global economy. In accounting, it appeared the immediate necessity of developing the actual international financial reporting standards, as a unique and transparent financial language. Accounting globalization went further through IASB which continued to make additional efforts in order to be adopted in new countries, not only for large companies but also for small and medium sized enterprises. Aziz Tayyebi, ACCA director,

considers that *a successful normalization process for adopting and implementing international standards it must begin with the commitment of all owners of national interests. They are those who should prove the objectives and benefits brought by convergence, underlining their roles and responsibilities for establishing an achievable workflow for the process that is to be performed* (Aziz Tayyebi – *Accounting and audit global standards: issues appeared in adopting and applying*, Audit Financiar Magazine, Chamber of Financial Auditors of Romania). A successful IFRS adoption and utilization is based on several factors:

- the quality has to be at the highest level.
- convergence with GAAP and an appropriate practice has to be a priority for national accounting regulators.
- international regulators must remain open to the national ones in order to ensure a complete and fair IFRS practice.

In accordance to these requirements, IFRS general framework presents some qualitative features which determine the data usefulness and fairness. The first is called intelligibility, that essential quality which offers the users to understand easily the information presented in financial statements. It is based on the hypothesis that users have enough economical know how in order to understand financial statements. The second one, called relevance, it is that characteristic, valid in the case information influence a user's decision. Credibility is number three, being supposed to reveal that financial statements do not contain major errors and users can have faith in a fair representation. Neutrality comes to complete the range of characteristics, indicating the need for free influence. In an ideal situation, financial statements are supposed to present a fair image of any entity financial performance and position. Since financial crisis began, the International Accounting Standards Board (IASB) continued to develop International Financial Reporting Standards, issuing a large number of new and modified existing standards. Most of them had as a target improving the quality of disclosures to financial statements. The latest amendments, as comprehensive responses to financial crisis, were related to consolidation, joint ventures, disclosures of

interests in other entities and fair value measurement.

Disclosure of interests in other entities

IFRS 12 *Disclosure of Interests in Other Entities* meets the disclosure needs for all forms of interests in other entities including associates, joint arrangements, special purpose vehicles and other off balance sheet vehicles. During the financial crisis it was noticed that there was a lack of transparency about the reporting risks due to entity's involvement with other structured entities. The disclosure requirements includes risk exposures for these kind of entities even if it no longer have any contractual involvement.

Joint Ventures

IFRS 11 *Joint* aims some deficiencies joint arrangement reporting by requiring a single method of account for interests in jointly controlled entities.

Fair value measurement.

The concept was very disputed among the most important bodies like European Financial Reporting Advisory Group and the Hundred Group of Finance Directors. IFRS 13 *Fair Value Measurement* enhances the actual methods of measuring fair value for entities which have investment properties, hold financial instruments, and make annual revaluations of property, plant and equipment or intangible assets. It has as a main purpose to reduce complexity and improve consistency in applying the standard when measuring mark-to-market technique. This is completed through enhancing disclosures about fair value and convergence with US GAAP which was modified by FASB. There was made an alignment in reporting standards "fair value" having almost the same meaning in IFRS and US GAAP.

The standard underlines the new approach as a response to financial crisis through following basic elements:

- fair value is presented as the price that would be received to sell an asset or paid to transfer a liability, regardless entity's ability, in an usual transaction between market participants at selling/purchase moment.
- the reference point is the market with the greatest volume and level of activity for the asset or liability. Otherwise it is the market where is maximized the amount that would be received to sell the asset or

minimizes the amount that would transfer the liability.

- management must use the assumption that market participants would use the asset or liability when making a price offer.

- for non-financial assets the professional accountant must consider the highest and best use of the asset by other market participants.

The impact of IFRS 13 on financial statements will depend on each entity's historic valuation practices, accounting policy applied and activity area.

Consolidation

IFRS 10 *Consolidated Financial Statements* has the purpose to improve financial reporting by leading to more appropriate consolidation decisions in situations in which not a single party holds more than 50 per cent of the voting rights of an investee.

Financial statement presentation

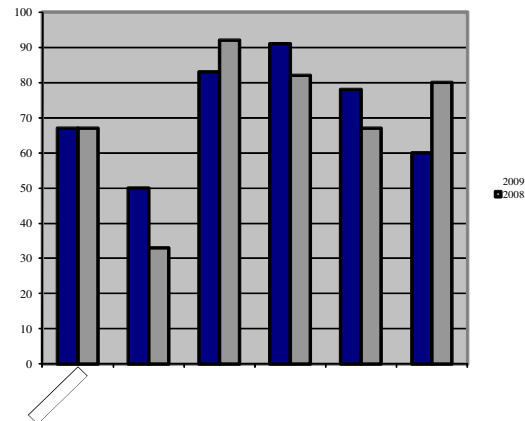
The IASB and the US FASB made some modifications that are meant to enhance and align the presentation of items of other comprehensive income in financial statements.

Post-employment benefits

IAS 19 *Employee Benefits* was subject for some amendments including the removal of the option for deferred recognition of changes in pension plan assets and liabilities.

As presented, financial crisis ingrained some effects on financial reporting, through measures which were taken by the main regulators, IASB and FASB. The authors' opinion regards these present and future effects covers subjects like impairment of assets, pensions, financial instruments, cash flows and estimates disclosures having as a base, professional judgment. These areas will continue to remain focus areas for the regulators and entities, across all business areas. As regards impairment, since the crisis began, more companies started to report higher values as impairments and will continue to do so.

Figure 1. Percentage of companies by area that presented impairments.



Source: Ernst&Young, <http://www.ey.com/GL/en/Issues/IFRS/Publications>.

As regards, accounting for employee benefits should meet new amendments in the near future as the last one which does not permit anymore choices on how to account for actuarial gains and losses on pensions and similar items. The future removal of corridor approach will require the unrecognized liability to be fully recognized, having a significant effect on entity's net assets. Also, standard setters could consider to make a more clear differentiation between some disclosures like those for judgments and those for estimates which are usually mixed, despite the IFRS requirements.

3. Conclusions

Despite the numerous efforts made by standard setters regarding a fair presentation, the existing accounting theories, standards, still present weaknesses but the latest amendments demonstrate a procyclical feature of IFRS and US GAAP. While the users' requirements concerning financial data reporting have raised, the regulators continued to develop the existing standards and to add new ones in order to keep the pace. This means bigger efforts for the professional accountant who is more and more forced to enhance the quality of reported financial data, the main pillar for trust in entities, regulators and markets. Without any doubt we can affirm there will

be more enhancements to IFRS and US GAAP standards, but it is necessary to be focused around professionals, whose abilities, competencies influence the most the quality level associated to financial statements. It can be called added value and real facts prove that the professional is more than just a pawn on the accounting chess table.

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Romania's Foreign Trade with Third Countries after EU Accession

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Abstract

The adoption by Romania of the commercial policy of UE on multilateral, inter- regional, regional and bilateral plan concerning the relation with third extra-communitarian countries inevitably brings important changes in the extern commercial policy of our country. The aim of the article is to underline the evolution of Romania's foreign trade with third countries after EU accession. Although, as in previous years most intense trade flows were made with the member states of the European Union, in the last period, there was a tendency to orient the trade flows to third countries. This might be possible because of the trade flows that were directed to countries that were less affected by the economic crisis.

Key words: third countries, economic crises, foreign trade, imports, exports

J.E.L. classification: F13, O24, N70.

1. Introduction

After the transition period from After the transition period from centralized economy to market economy, and after accession to the EU, Romania faces a series of new difficult challenges related to adapting to new economic structures and legislation. Our country must face the changes in economic and trade policies and external shocks due to economic crisis and of the effects of globalization.

Accession to the European Union meant for Romania new pressure on state and private sector, and the exporters had to adapt to the requirements of the Single Market [1]. The past years have revealed significant changes in our country's trade structure, due mainly of the macroeconomic conjunctures,

which required to all commercial operating continuously adapting to the changes.

The increasing degree of the Romania's integration in the new organizational structures and international institutions accelerated the restructuring process. By associating to the main global organizations which has attended, Romania manifested openness and free trade option, accepting some risks involving such a process, but at the same time aware of the possible long-term benefits that involves the internationalization.

Over the time, three rounds of trade negotiations (Tokyo Round (1973-1979), Uruguay Round (1986-1993), Doha Round (since 2001)) and even alignment to the Community have led to massive reduction and elimination of the tariffs and the establishment of a common customs tariff and the elimination of the quantitative restrictions. Restrictions in the sensitive areas such as agriculture, textiles, clothing and services where provided. Integration in European and global market has imposed liberal conditions not only to tariffs but also regarding non-tariff barriers applied across of the border.

The bilateral regional agreements have come to play a larger role, with preferential rules which exercises a great influence on patterns of trade and on investment in certain sectors such as textiles, motor vehicles or clothing.

2. EU and the third countries

EU ends the bilateral agreements to promote its specific trade policy objectives and ensure that its bilateral agreements always are consistent with the commitments under the World Trade Organization. Some of them cover all aspects of the business and others cover only certain areas of trade.

The motivations to use the bilateral agreements in the EU's trade policy are given by [2]:

- trade development of global scale and the need of increasingly and acute rules accepted by the game players according to the World Trade Organization;
- need to stimulate the development generally and to promote the regional development;
- the support of EU concepts such as "Neighborhood Policy" or "Wider Europe" which have already resulted in relations with the Mediterranean countries

3. Romania and the third countries – implications of the global crises

Starting with accession of Romania to EU, were eliminated the last restrictions from the mutual trade with goods with the member countries of and the adoption of EU trade policy by Romanian on multilateral, interregional, regional and bilateral plan in its relations with third countries outside the community inevitably brings important changes in our country's foreign trade policy in the following directions [3]:

- absolute deregulation of Romanian trade with EU;
- alignment of custom duties in our country, towards the third countries, to the ones in EU, which generally implies custom duties to a level sensible reduced toward the third countries compared to the level of custom duties in Romania, especially for the industrial products;
- adjustment with the EU agreements to OMC in the field of trading with goods and services;
- accession to the OMC Agreement regarding the public purchase;
- transformation of Romanian from a country beneficiary of SGP in a grantor country of custom preferences;
- retreat from the Global System of Trading Preferences between developing country and from the "Protocol of 16" developing countries, by abrogation of preferential trading agreements with third countries and of other agreements concluded with these countries;

- hold up the status of developing country and, as a consequence the advantages Romania beneficiaries from in the field of trading policy, in the virtue of this status; this fact also imply the retreat of Romania from the group of unofficial developing countries from OMC and from the "Group of 77" developing countries which acts in OUN;

- retreat of Romania from agreements with CEFTA, AELS from the free trading agreements concluded with Turkey, Israel, from the free trading agreements with the countries from the Western Balkans, in case it concluded any agreements with these countries;

- because EU did not concluded a free trade agreement with Moldavian Republic until the date of Romanian accession to EU, starting from 1st of January 2007 the free trade agreement between Romania and Moldavian Republic had been terminated;

- participation of Romania to EU preferential and non-preferential trading agreements:

- accession of Romania to the European Economic Space (EES), to which EU and Ireland, Liechtenstein and Norway participate;

- participation to the preferential agreements of Euro-Mediterranean partnership and to the partnership between EU and African countries, Caribbean and Pacific (ACP);

- access of Romania to free trade agreements between EU and countries from Latin America, Persian Gulf and other countries with which EU will conclude such agreements.

The European Union has signed numerous free trade and cooperation agreements with the third countries. Some of them cover all aspects of the commercial relations, and others cover only certain areas of trade.

Thus, although in recent years Romania's trade with the European Union countries has increased, there is a slight tendency to orient them to non-EU countries.

Fig. 1 Extra-EU27 trade, total product million of Euro



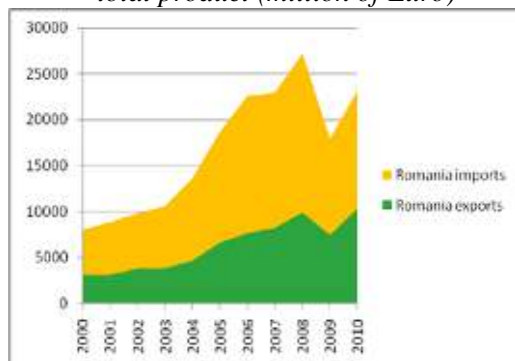
Source: Eurostat – data processed by Extra-EU27 trade, by Member State, total at 15.10. 2011

Participation to the foreign trade is important for the growth and economic development of the country. The access to developed country markets can stimulate increased use of labor and capital resources of developing countries, and can arise the favorable opportunities for international exchange, trade turns out to be a stimulating factor for economic growth[4].

As we can see in the figure 1, since 2004, after the new wave of the enlargement, the EU's external trade with third countries had an upward trend until 2008, when the global economic crisis effects appeared. The economic crisis had more effects over the imports then the exports with lower tendency to decrease, a slight recovery of for both of them felt in the following year.

The Romanian foreign trade was conducted mostly with the European Union member states. As we can see in Figure 2, there was a tendency of orientation of small scale to third countries. Certainly Romania, as part of the European Union, has more benefits that would have an individual country in stimulating the trade with third countries.

Fig.2 Romanian trade whit third country, total product (million of Euro)



Source: Eurostat – data processed by Extra-EU27 trade, by Member State, total at 15.10. 2011

Despite the economic crisis, Romania registered in last year a high level of the exports, partly due to the increased supply of non-EU markets less affected by the economic crisis, such as China, Japan, Canada, Russia, Azerbaijan and South Africa. Keeping afloat in international trade is vital for the EU and other export oriented countries and for Romania.

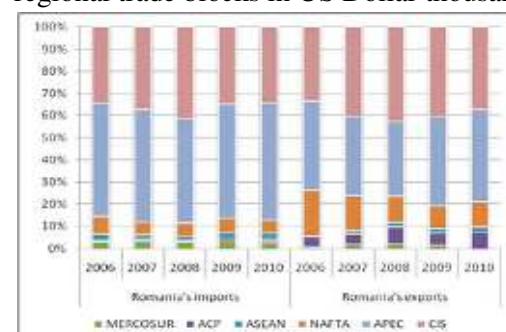
Romanian products which have arrived in these countries are the most diverse: from carpets, wines, optical instruments and energy equipment to ships and fluvial ships.

According to the Ministry of Economy, Romanian exports to third countries increased by 38,7% last year compared to 2009, which is well above the average growth rate of supplies to the European Union registered 24,4%. However, their share in the total of exports is still limited, given that 72,1% of sales went to the EU (where they come 72,4% of the imports)[5].

The successive enlargements of the European Union and consolidation of the Single market have reinforced the Community's position, becoming a pole of attraction and one of the main actors in the international negotiations, both bilateral ones with third countries and in the multilateral with WTO.

The commercial blocks follow a tendency to strengthen their position in the global economy. With the new wave of expansion and penetration of new actors on the European market, the need for structural adjustment is inevitable; Romania as part of the European Union also participates in the achievement of trade with major trading blocs.

Fig. 3. Bilateral trade between Romania and regional trade blocks in US Dollar thousand

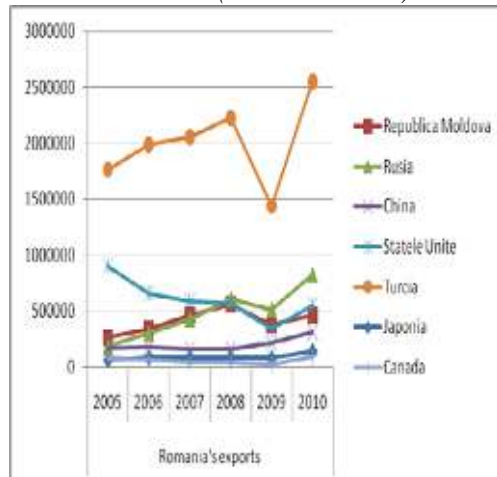


Sources: ITC calculations based on COMTRADE statistics, data processed at 20.10.2011

An overview of Romanian exports and imports with major trading blocs shows that the share of growing trade flows happened with APEC member countries, but certainly the imports far exceed the exports to these countries, which contribute to a continuous alteration of the trade balance. Contributions to the appreciation of the trade balance have had NAFTA and ACP countries.

The global financial crisis and the requirements of sustainability requests economic adjustments in environmental protection and natural conservation and will continue to change the business models, they will modify or will create new markets, which increases the need for a new strategic approach.

Fig.4. Romania's exports with third countries (Euro thousand)



Sources : ITC calculations based on COMTRADE statistics, data processed at 20.10.2011

Among of the countries with significant exports are Japan (74,73%), which exported auto components, bearings, electrical products, glassware, wine, South Korea 49,37% (energy and industrial equipment, ships, fertilizers and forage), China 45,15% (auto accessories, fertilizers, energy equipments, tires and rubber products, wine). In Canada there was a tripling of exports (321%) in this market; were delivered in last year, electrical machinery, boilers and nuclear equipment, components and parts of aircraft.

Regarding the U.S., Romanian exporters were able last year to their sales with over 61%, Americans are particularly interested in auto parts and chemical fertilizers. On the

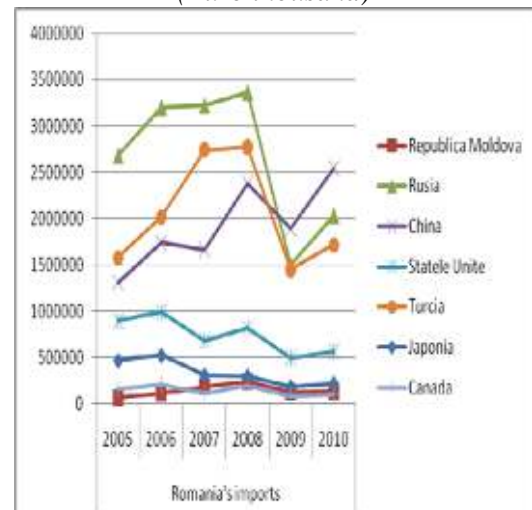
Mexico market, the exports increased by over 51% (with tires, carpets, various steel products, optical instruments and car accessories).

In the Russian Federation, another large consumer market, the exports have increased by 62,12% (with auto components, refrigerators and furniture), in Ukraine for more than 53% (mineral products, machinery and electrical equipments, automobiles and auto components) Turkey – 76,8% (mineral products, chemical products, metal ware, electrical machinery, automobiles and auto components).

A 50% increase in exports was recorded also in: Armenia (510,91%), Azerbaijan(112,59%), Kazakhstan (66,86%), South Africa, (99,49%), Libya (50,11%), Republic of Vietnam (74,82%), Brazil (61,61%). The Ministry of Economy did not specify the actual values recorded for each country listed.

The imports to Romania continue comprising investment goods or industrial products (65,8 %), on one hand, and raw materials (3,7 %), on the other, and they mainly come from Germany, Italy, Hungary, France and China posing for over 48 %, whereas 4 % of the imports arrive from the Russian Federation, an important raw materials supplier to Romania.

Fig.5 Romania's imports from third countries (Euro thousand)



Sources: ITC calculations based on COMTRADE statistics, data processed at 20.10.2011

Romania imports machinery and transport equipment, raw materials, chemicals and fuels. Its main imports partners are other

European Union members with Germany, Italy, Hungary and France being the most important.

After a decrease in 2009, significant increases in imports were registered from China who had the largest growth in recent years on electrical, machinery, nuclear reactors, and footwear, from Russia on fuels, mineral oils, ores, slag, fertilizers, from Turkey – with cars, nuclear reactors, rail vehicles and Japan with electronics, machinery, nuclear reactors and plastic materials.

4. Conclusions

The existence of the growing and liberalized markets means an increase of the competition between the companies and of the countries. Inclusion in this competitive process of certain countries with different development levels can lead to widening the disparities between developed and emerging countries, or even deepening of underdevelopment.

Due to increasing of the globalization process and regionalization, the international trade must adapt to the changing world in order to stay efficient. The European Union is more dependent on the foreign trade, therefore the conclusion of an increasing number of cooperation and free trade agreements are more than necessary.

5. Acknowledgement

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Entrepreneur - Essential Vector of Economic Growth

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Abstract

Economic growth is a goal that is embraced by most contemporary economies, the main concern being to identify the key factors to start the process, but also to make it sustainable. Entrepreneurship (as activity) and indispensable, the entrepreneur, through his actions, are important vectors of economic growth. This paper seeks to clarify through views identified in the specialty literature, the role of entrepreneurs in starting and supporting this process.

Key words: Entrepreneurship, development, economic growth

J.E.L. classification: L26

1. Beliefs about entrepreneurship

Some economists' followers of development distinguish three major stages of development. First the economy is specialized in agricultural and small-scale production. In the second stage, the economy move from small-scale production to industrial scale production. In the third stage, with increasing wealth, the economy is oriented towards services. The third stage is marked by an increase in entrepreneurial activity.

There are three reasons for entrepreneurial growth in the final stage of economic activity. In the first place services firms provide more opportunities for entrepreneurship. Second, during the post-war technologies were aimed at industries in which entrepreneurial activity is important, while in the third place in an economy characterized through high levels of

aggregate elasticity of substitution, we must expect a higher level of development to more entrepreneurs and small businesses.

According to Inman quoted by Sebastian Văduva [2] switching within the structure of economic activities create new opportunities for smaller new firms, because in many areas of activity involving supply of services, economies of scale and other barriers for market entry are lower than production.

Schumpeter [3] feared that even small and medium replacement by large companies could adversely affect the values of entrepreneurship, innovation and technological change.

New businesses create new jobs and contribute to economic growth, stimulating the labor market and product market. In view of Bygrave and Minniti [4] various cultures and regions of many countries indicate a geographical concentration of entrepreneurial activities. Entrepreneurship can create good conditions for development of new markets and new business opportunities, leveraging the entire set of economic activities.

Increasing income per capita also helps to multiplying business activities due to increasing demand for services.

According to Sebastian Văduva [5] changes of technology represents probably the most important reason for the existence of entrepreneurial opportunities more numerous in the late twentieth and early twenty-first century. In every age, new technologies have the potential to generate new goods and services and create opportunities for launching new businesses, but one of the most important factors of restructuring the modern economy has to do with new information and communication technologies that have appeared. These technologies have drastically reduced

transaction costs and have lowered minimum efficiency thresholds in many fields. This reduction of transaction costs and the corresponding effects on the thresholds have opened a door for many small businesses, which previously were not able to compete on the market.

Economists associated with the Austrian school of economics [6] have focused on entrepreneurship study, considering that if entrepreneurship is omnipresent, it can not be due to economic development. Rather, for economic development to take place, some state institutions and a legal framework must be present for the entrepreneurial aspect of human action to flourish.

The entrepreneur is increasingly seen as indispensable for economic growth and prosperity, even among former skeptics [3] who believed that large corporations would become the main driver of innovation and technological change.

To explore the causal relationship between entrepreneurship and economic growth, we must think more broadly. The entrepreneurial spirit manifests itself differently within alternative institutional regimes, and some of these events are in accordance with economic development, while others are not. Simply economic growth determined by entrepreneurial spirit can not be explained without reference to institutions. Through a historical analysis of economic development, through the concept of entrepreneurship it can be concluded that a number of institutions have facilitated entrepreneurs in their role as innovators and agents of change.

For example, in the context of underdeveloped countries, Hoselitz perceives managerial skills and leadership as the most important aspects of entrepreneurship, while financial skills have only a secondary aspect.

For neoclassical economists, institutions do not have mattered thus we had to wait until the postwar period at which point economists have begun to realize the importance of the entrepreneur as the engine of economic progress.

2. Entrepreneurship and innovation

Institutions [6], or in other words, legal framework or rules of the game provide support and an environment that guides activity, removes uncertainty and makes the

actions of others predictable. In short, institutions serve to reduce the costs of action and facilitate coordination of knowledge dispersed throughout society.

Political regimes directly affect both the consequences of development desired as well as through the unwanted to their involvement in institutional environments. Two of the most important elements for encouraging entrepreneurship it represent well-defined property rights and the rule of law. It is well established that those countries where these fundamental institutions are developed have a growth record.

Financial markets [8] in most developing countries are underdeveloped and susceptible to manipulation. Governments play an important role through public policy (fiscal policy, trade policy, regulatory policy, and so on) that affects the incentives for entrepreneurs.

Studies [6] identified several general relations between the institutional, legal and economic activity underground. First, there is a correlation between the percentage of total GDP comprised by informal economy and of a country's laws - in countries with strict regulations and excessive underground economy comprises a large part of GDP. Second, higher taxes on businesses can generate higher levels of economic activity underground. Thirdly, corruption within the government, police and courts, leads to higher levels of informal economic activity.

Dejardin citing Murphy, Shleifer and Vishny says: "Talent goes to work with the largest private benefits that do not require the greatest social benefits" [9].

In the interview taken by Iacomi Tiberius (arenabiz.ro) to Daniel Daianu he says: "where there is a crisis is both and the opportunity" [10].

In a fair competitive environment [11], gaining advantages (competitive) by a firm reflects the quality of forecasting entrepreneurial activity (by affirming talent, knowledge and entrepreneurial innovation) thus became the source of increased profitability. Otherwise, in a distorted economic environment, namely a market ceases to be free, obtaining a competitive advantage is the expression of practices "rent-seeking" pursuing, through various practices, to capture government privileges, after all, any government may, by

preferential treatment of firms or groups of companies, to provide improving their competitive positions.

Rent-seeking activities [9] can come both from the public and the private sector. Regarding the link between entrepreneurship and economic growth, the emergence of paid but unproductive activities, is not only projects with positive or negative social impact are in competition, but also that there is a potential diversion of entrepreneurial talent. Therefore diversion of entrepreneurial talent to unproductive activities will have a negative impact on growth rate.

For example, organized crime [12] it can be considered a model of entrepreneurship, but unlike the rent-seeking, which contributes nothing to the production process, but does not affect, except the opportunity cost of this activity, there is an entrepreneurial spirit whose result is substantial destruction of both outputs (outputs) and the production capacities.

Baumol [12] continues by stating that while the total number of entrepreneurs varies among different countries, their contribution to productive activities vary more due to be shared between productive activities such as innovation, and unproductive activities, such as rent-seeking or organized crime.

In conclusion it should not believe that entrepreneurship will always contribute positively to productivity and economic growth.

3. Entrepreneurship by development

Entrepreneurship is a consequence of the development of a country - notably through the adoption and development of elements that encourage entrepreneurial aspects of human action. Stimulating entrepreneurial action will turn boost economic development and growth. Institutional elements that are efficient in one country may not have the same impact elsewhere. This is because they operate in a moral and cultural context, which in some cases may prevent the market. This is not a result of the market as such, but rather how agencies decide to act within its framework. [6]

If entrepreneurship is a low status, [13] being of poor quality, it is often the only type of entrepreneurship that can be observed.

Many regions of the world are now stuck in this vicious circle and is even more difficult to overcome.

The legal framework and its effective use [9] define an environment favorable for entrepreneurship and also to rent-seeking behavior. Property rights, the conditions of their application, and compliance with these rights are crucial factors. Entrepreneurs or that ones for whom the rent-seeking activities may influence by voting or lobbying the organizations and political decisions. The idea is that the political environment, responding to interest groups will make decisions that favor the maintenance of it. In conclusion because the burdening how to get of the rewards entrepreneurial the rent-seeking activities adversely affect entrepreneurship.

The result of entrepreneurship is the creation of new firms [14]. Thus, a key result of the entrepreneurial process is the creation of new businesses. The evolution of companies to a substantial size involves strategic activities that have been called strategic entrepreneurship. Entrepreneurs can create and adapt the basis of resources of the new firm to develop new products, launch of products in foreign markets, and creating alliances with other firms. These dynamic capabilities are central elements of strategic of entrepreneurship. If an entrepreneur is able to build these capacities in the early dynamic company, this will increase the likelihood of sustained new companies.

Developing market economy over time, served as an incentive for entrepreneurship. But entrepreneurial spirit has returned the favor in turn contributing to constant economic growth and major market. [12]

According to Venkataraman [13] reference elements in entrepreneurship are:

- a) the absolute level of economic performance which provides a profit for entrepreneurial effort,
- b) The social contribution of individual effort.

Audretsch and Thurik [15] distinguish three ways in which entrepreneurial capital affects economic growth:

- a) The first way would be through the existence of abundant information (knowledge spillover). But the literature that identifies the creation of mechanisms to get plenty of

knowledge is less developed. However new information technologies [16], especially the Internet, allows knowledge to spread rapidly being available to anyone with access to computer and phone.

- b) A second way in which entrepreneurship capital generates economic growth is through increasing the number of enterprises and the development of competition.
- c) A third method is the diversity between the firms.

4. Conclusions

Entrepreneurship has been, over time, a decisive factor in the development of market economy. The difference between companies that are progressing and regressing is that the last ones have productive entrepreneurs.

Recognizing how entrepreneurs contribute to economic growth has also strong political implications. If we assume that entrepreneurship is not evenly distributed across countries, we can say that countries with a low growth rate simply do not have enough entrepreneurs. If we argue that entrepreneurial activities are more evenly distributed across countries or populations with slower growth occurs in those countries where entrepreneurs are, for various reasons, less productive. A possible future research direction would be comparative investigation of the role of entrepreneur in economic growth of developed countries than in emerging economies.

Entrepreneurship capital can contribute to economic growth by creating diversity and serving as a channel of information, which eventually leads to more competition.

We finally have, however, Thurik's opinion, saying that more should be studied to explain more clearly the links between entrepreneurship and economic growth.

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The Study of Corporate Governance in Romania

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Abstract

Before 1990, Romania has a large number of public enterprises. After this year, the privatization of this enterprises was inevitable.

Key words: corporate governance, listed companies, non-listed companies, shareholders rights.

J.E.L. classification: M14

1. Introduction

The collapse of the old regime, the whole system of economic relations based on planning and administrative enforcement disintegrated. The answer to this situation was Law no.15/1990, On the Reorganization of State Enterprises, a cornerstone of the economic reform passed in July 1990, which changed the legal status of state "socialist enterprises". Two types of economic entities were created: the "autonomous organizations", state-owned organizations on the French model of the "regies autonomes", dedicated to activities in "strategic sectors" (defense, energy, mining, railway etc.) and the "commercial companies", most of them joint stock companies having the state as unique shareholder. Commercial companies were granted great freedom to take decisions, but their legal status was still equivocal, as very few specialists were familiar with notions such as stocks and shareholders.

Consequently, Law no. 31/1990, The Commercial Companies Law, instituted the general rules for creating and running different types of commercial companies, and granting non-discriminatory entry rights to all entrepreneurs and equal treatment for all entities, private or state-owned.

The methods used for privatization program was:

a) The Mass Privatisation based on free distribution of "Certificates of Ownership" to each Romanian citizen over 18 years old. In this mode, they became shareholders in "Private Ownership Funds".

b) The MEBO method (Management and Employees Buy Out), who became the dominant method of privatisation when a special law (no. 77/1994) granted substantial facilities to the managers and employees who wanted to buy shares.

c) The foreign investments, after 1997.

d) The Stock Exchange privatization.

2. The Corporate Governance Environment

The corporate governance environment in Romania is very much a product of the transition from central planning to a market economy. This includes the direct impact of that transition, through new laws, the development of new institutions, the creation of new firms and, very importantly, the privatisation process.

In 2009, according to Romanian Statistics Yearbook, there were 519.441 active enterprises. The majority are small (98,10%). Only 1,60% are medium and 0,30% are large companies (Table no.1).

Table no. 1 Active enterprises by size class, in 2009

Enterprises	Number	Weight
Total, of wich:	519.441	100,00%
0-49 employees	509.558	98,10%
50-249 employees	8.312	1,60%
250 employees and over	1.571	0,30%

Source: Romanian Statistics Yearbook 2010

As privatization result, 99,84% from Romanian companies are with private majority capital and 5,76% of total are entirely foreign capital (Table no.2).

Table no. 2 Active enterprises by type of ownership, in 2009

Enterprises	Number	Weight
Total, of wich:	519.441	100,00%
State majority	848	0,16%
Private majority	518.593	99,84%
Of total, with entirely foreign capital	29.943	5,76%

Source: Romanian Statistics Yearbook 2010

Most of private enterprises are "limited liability companies" (Table no. 3)

Table no.3 Active enterprises by legal type

Enterprises	Number	Weight
Total, of wich:	519.441	100,00%
Autonomus bodies	116	0,02%
Stock companies	7.462	1,44%
Limited liability companies	506.466	97,50%
Other types of non-co-operative companies	3.526	0,68%
Co-operative companies	1.871	0,37%

Source: Romanian Statistics Yearbook 2010

Only 74 companies are publicly traded on Bucharest Stock Exchange and 100 are publicly traded on RASDAQ, which means that less then 0,03% from the total number of companies are listed.

3. The legal rights of shareholders

The Company Law sets the two general principles that govern shareholders treatment: the principle of equality among shareholders in the same class and the principle of indivisibility of the shares. The law grants shareholders two types of rights: patrimonial and non-patrimonial.

The "non-patrimonial rights" refer to:

- The right to participate in the general shareholders meetings.
- The right to vote. Every shareholder has the right to vote in proportion to the number of shares he/she holds.
- The right to information. Shareholders have the right to examine the shareholders' registry and the register of the minutes of shareholders meetings. They can also

examine the financial statements before the annual meetings, as well as the administrators and the censors' reports. Shareholders may ask for excerpts or copies from these documents.

Special minority rights:

- shareholders representing 10% of the voting rights (or less if the Constitutive Act so provides) may ask directors/administrators to convene a general meeting;
- every individual shareholder has the right to notify the censors on certain facts he deems they should investigate.
- shareholders representing more than 10% of the shares have the right to ask the court to appoint experts for investigating certain operations of the company.
- shareholders have the right to contest in court the decisions of the general shareholders meeting and to ask for redress.

The "patrimonial rights" are:

- The right to dividends. Dividends are paid in proportion to each shareholders' contribution to the paid-in capital, unless the Constitutive Act establishes different distribution criteria.
- The right over the reserves. According to the law, shareholders that leave the company have the right to reclaim not only their paid-in share capital, but their share in the equity of the company.
- The preemption right. In case a company increases its capital through public subscription, the existing shareholders have a preferential right to subscribe to new shares in proportion to the shares they already have. The preemption right is to be exercised during a limited period of time.
- The right to the proceeds from the liquidation of the company – again proportional to the contribution to the capital.
- The right to sell shares. Unlike the social parts, shares are freely transferable. The main shareholders'

duties with respect to the company are:

- To pay for the shares subscribed;
- To comply with the provisions of the Constitutive Act and with the decisions of the general shareholders meetings.
- To bear the losses of the company up to the value of their shares.

4. Abuses of shareholders rights

During the last two decades there was many complains regarding the violations of minority shareholders' rights. One of the main explanations for the deterioration in performance is related to abuses of majority shareholders and lack of sufficient monitoring and control from other stakeholders.

The most important forms of abuse are:

- ✓ Diluting minority shareholders of companies through:
 - Capital increases without prior revaluation of existing capital.
 - Capital increases through in-kind contribution of the majority shareholder.
- ✓ Transferring profits outside the company.
- ✓ The “*empty shell*” tactic, by which the assets of a company are transferred to other parties by:
 - abusive sale of critical assets of a company;
 - use of the assets of a company as collateral for credits obtained by the majority shareholders;
 - transfer, through mergers and divisions, of the assets of a company to new entities controlled by some of the existing shareholders, directors or executives.
- ✓ Abusive allocation of profits.
- ✓ Delays in the payment of dividends.
- ✓ Limited access to information for minority shareholders, who only rarely have a seat on the board or the censors' committee.

5. The main steps in the implementation of Corporate Governance in Romania

An important step in implementation of corporate governance in Romania was made by the Bucharest Stock Exchange in 2001, when elaborated “The Code of Corporate Governance” for public companies. The Code contain recommendations for the companies listed on the Bucharest Stock Exchange or traded on the RASDAQ, according to the O.E.C.D principles of corporate governance. In 2001, Bucharest Stock Exchange also launch “*the extra transparency category*”, for the public traded companies with the highest standards of corporate governance. In 2003, Bucharest Stock Exchange founded “The Corporate Governance Institute” with the main objectiv to promote the best corporate governance practices in Romania.

The Corporate Governance Initiative for Economic Democracy in Romania was the first large scale systematic effort to bring corporate governance issues into public debate. The project was conducted by the International Center for Entrepreneurial Studies (CISA) in collaboration with the Strategic Alliance of the Business Associations (ASAA) and it was sponsored by the Center for International Private Enterprise (CIPE), an affiliate of the US Chamber of Commerce.

Through conferences, debates and studies prepared by high-caliber Romanian professionals, the Corporate Governance Initiative had a significant impact on the business community. Between 2000-2002, a lot of workshops were organized in different cities, with board members from local companies. In the end, in march 2002, a “*Voluntary Code of Corporate Governance*” was elaborated.

The Code is a collection of best practice recommendations and is aimed at setting standards for corporate governance applicable to “*any commercial company, but principally to the companies listed on the stock exchange or traded on the RASDAQ*”, no matter where their capital originates from, state or private sources.

The centerpiece of corporate legislation in Romania is the Commercial Companies' Law no. 31/1990. One of the major objectives, during de 2004-2006 years was to bring

Romanian companies legislation in line with EU regulations. The second main objective was to harmonize the Law 31/1990 with the O.E.C.D. principles of corporate governance.

6. Conclusions

In Romania, the prevalent corporate governance structure is “*the non-listed companies*”. Many companies are small or medium, with a single shareholder who is also the manager of the company. There are also large companies with many shareholders, as result of MEBO privatization method. Only a small number of companies choose to be listed on Stock Exchange or RASDAQ.

In the last decade, in Romania was made important steps in corporate governance implementation. The Romanian companies legislation is now harmonized with the international standards. However, there is gap between the legislation and the real situation, in practice.

The solutions are: increasing of number of listed companies, a gradually enforcement of the corporate governance principles by the reglementary organisms and extention of this principles also for the non-listed companies.

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Corporate Governance Systems Around the World

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Abstract

Corporate governance is defined as the "set of mechanisms that control and influence senior management". There are many different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded.

Keywords: corporate governance systems, shareholders, managers.

J.E.L. classification: M14

1. Introduction

Corporate governance is the system by which companies are directed and controlled. Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide the proper incentives to pursue objectives that are in the interest of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources effectively.

Good corporate governance is now widely recognised as essential for establishing an attractive investment climate characterised by competitive companies and efficient financial markets.

Analysts of corporate governance often make a distinction between two types of system:

- The Anglo-Saxon Countries System;
- The Continental Europe System.

However, since 1990, another system began to take shape in Central and South-East European Countries.

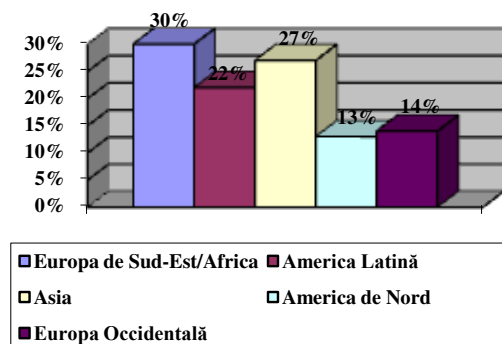
2. The Importance of Corporate Governance

In its study "Global Investor Opinion Survey", McKinsey analysed between 2000 and 2002, opinions of over 200 institutional investors and found that 80% of the respondents would pay a premium for well-governed companies.

They defined a well-governed company as one that had mostly out-side directors, who had no management ties, undertook formal evaluation of its directors, and was responsive to investors' requests for information on governance issues.

The size of premium varied by market, from 13%-14% for North America and West Europe companies to around 30% for Africans and South-Eastern Europe companies (Chart 1).

Chart 1 The size of premium for well-governed companies in 2002, according to McKinsey



3. The Anglo-Saxon Countries System (*"outsider-based system"*)

This system is common in U.S.A., The United Kingdom, Canada and Australia and is characterized by:

- Numerous and dispersed shareholding.
- The owners of firms tend to have a transitory interest in the firm and do not have close relationships with those in senior managerial positions within the company.
- The existence of an active "market for corporate control" - takeovers, particularly hostile ones, are seen as both a remedy for managerial failure and a disciplinary mechanism on managers, ensuring that they act in the best interests of shareholders.
- Tends to emphasize the interests of shareholders.
- The presence of mutual funds and pension funds as shareholders in the companies.

The main criticism made to the Anglo-Saxon System of corporate governance is that the system facilitates speculative transactions with securities.

4. The Continental Europe System (*"insider-based system"*)

This system is common in Continental European Countries and also in Japan and is characterized by:

- The owners of firms tend to have an enduring interest in the company and often hold positions on the board of directors or other senior managerial positions.
- A stable and close relationships between management and shareholders. This stability of ownership is often coupled with legal or institutional barriers to prevent hostile takeovers.
- Existence of formal rights for employees to influence key managerial decisions, often through supervisory boards or works council-type bodies.
- Recognizes the interests of workers, managers, suppliers, customers, and the community.
- Banks presence as shareholders in many companies (in Germany and Japan),

what determines the credit more easily for this companies;

- The presence of family-owned companies in France, Italy and Spain.

The main criticism made to the Continental Europe System is the ease with which banks lend to companies that are shareholders, leading to increased bank risks.

5. The Central and South-East European Countries System

The present ownership structures in Central and South-East European countries show some common characteristics and reflect the history of the privatization programmes. Ownership structures are characterised by:

➤ a significant control by insiders and more precisely by managers, who have secured control either through direct ownership or indirectly by "*de facto*" control over employee shares;

➤ the importance of remaining state ownership and control, especially in large firms and utilities that are still to be privatised;

➤ the emergence of various forms of institutional investors, mainly former privatisation funds, that play a significant role in the ownership structure of enterprises.

These common characteristics (significance of ownership by insiders, remaining state ownership and control, and the emergence of various forms of institutional investors, mainly former privatization funds), engender a series of specific problems and difficulties regarding corporate governance practices:

❖ Insider domination easily leads to abuse of minority investors, asset stripping and problematic handling of conflicts of interest.

❖ Remaining state ownership and control may be an impediment to restructuring if the State does not really exercise its role as shareholder or if management of state shares is dominated by political concerns rather than business judgement.

❖ Emerging institutional investors may have a significant impact on corporate governance practices.

Abuse of the rights of minority shareholders remains one of the most severe weaknesses of corporate governance practices in Central and South-East European countries.

Regulatory reforms and implementation and enforcement efforts should therefore focus on measures and remedies to provide protection of minority shareholders against this abuse.

Protection of minority shareholders requires the effective implementation of specific procedures for changes in control and major or related party transactions. These procedures include strict disclosure requirements and approval by a qualified majority of board members and/or of the extraordinary shareholder meeting. They also necessitate the development of fair evaluation processes.

At a more fundamental level, the protection of minority shareholders relies on the fiduciary duties of board members and on their independence. Their duty to act in the interest of the company and all its shareholders should be clarified and sanctions increased against misconduct by board members.

An inventory of the most important forms of abuse against minority shareholders includes:

a) **Diluting minority shareholders of companies**, through:

- ***Capital increases without prior revaluation of existing capital.***

The "nominal" capital of companies has eroded because of the high inflation prevailing in South-East European Countries. As the National Accounting System does not provide for automatic corrections, periodical "revaluations" are done. If a majority shareholder decides in the general assembly to increase the capital without performing such revaluations, shareholders which do not use their option to participate in the capital increase are diluted by much more than normally allowed. This would not be true if the correct value of the initial capital had been used.

- ***Capital increases through in-kind contribution of the majority shareholder.***

Minority shareholders are confronted with three forms of abuse: for in-kind contribution, the legislation does not provide preemption rights for the existing

shareholders, which are necessarily diluted; the in-kind contribution is usually over-valued and sometimes has nothing to do with the activity of the company; the in-kind contribution is performed without prior revaluation of the existing capital.

b) **Transferring profits outside the company.**

The "*empty shell*" tactic, by which the assets of a company are transferred to other parties by:

- abusive sale of critical assets of a company;
- use of the assets of a company as collateral for credits obtained by the majority shareholders;
- transfer, through mergers and divisions, of the assets of a company to new entities controlled by some of the existing shareholders, directors or executives.

c) **Abusive allocation of profits.**

The employees associations, majority shareholders in companies privatised through MBO, decide in the general shareholders meeting to distribute to employees more than half of the profits as "*employee profit sharing*". Not much is left for the dividends to which outsiders are entitled.

d) **Delays in the payment of dividends.**

Although the decision is taken in the general shareholders meeting on the distribution of the dividends, companies postpone for years the effective payment.

e) **Limited access to information for minority shareholders**, who only rarely have a seat on the board or the censors' committee.

The Central and South-East European countries have made significant progress in corporate governance over the last few years. Recent and current reforms have improved the legal and regulatory framework by providing better protection against abuse.

Several national initiatives to issue guidelines, statements of best practices or to set up specialised good corporate governance tiers on the stock exchange have contributed to raising the awareness and improving the practices.

Finally, stock exchanges and securities regulators have reinforced their monitoring of companies' conduct.

6. Conclusions

Corporate governance is important in all countries, even in the more developed. The American corporate crises of 2001-2002 when collapsed big corporations like Enron, WorldCom, Arthur Andersen, Global Crossing and Tyco prove these statements. More so, corporate governance is important in developing countries, whose corporate governance system is imperfect.

There is not an optimum model for corporate governance around the world. However there is a “*common body*” of corporate governance principles. The differences between corporate governance systems reflect the social, economic and cultural differences around the world.

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Changes in Public Expenditures Policy at European Union Level (after 1990)

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Abstract

The aim of this paper is to present the significant changes in public expenditures policy at European Union level, after 1990. Firstly, the paper analyzes the dynamics of public expenditures over a period of time between 1991-2009 and shows that countries which started to reduce public expenditure since the 1990s have recorded considerable decreases, in comparison with those who have started the process of fiscal reform later (after 2000). Secondly, in order to explain the dynamics of public expenditure, there has been done an analysis on the functional and economic structure of public expenditure. There are differences in the dynamics of these categories of public expenditure from one EU Member State to another, depending on the degree of economic and social development, but also on tax reform policies of the public authorities.

Key words: public expenditures policy, fiscal reform, economic crisis

J.E.L. classification: J68, E62, E32

1. Introduction

At European Union level, public expenditures amount to quite high levels, data from Eurostat statistics [1] showing that almost half of gross domestic product “passes through the hands of governments”.

Analyzing the dynamics of public expenditures over a period of time between 1991-2009 were found significant changes in terms of public expenditure both at Member State level, but also making comparisons between countries, as many of them have started or continued to reduce the level of public expenditures in GDP many years ago.

Table 1. The dynamics of public expenditure as a percentage of GDP in 2009 (or nearest) compared to the maximum (%)

Countries		Maximum level of public expenditure Year % in GDP	Year 2009 or the nearest one	Change (%)
Belgium	1993	56.5	54.2	-2.3
Bulgaria	2000	41.3	40.8	-0.5
	1995	54.5	45.9	-8.6
Denmark	1993	60.2	58.4	-1.8
Germany	1995	54.8	47.5	-7.3
Estonia	2009	45.2	45.2	0
Ireland			36.8	
	1992	41.1	(2007)	-4.3
	2009	48.9	48.9	0
Greece	2000	46.7	46.5	
			(2007)	-0.2
	2009	53.2	53.2	0
Spain	1995	47.6	45.8	-1.8
France	1996	54.5	52.8	
			(2008)	-1.7
	2009	56.0	56.0	0
Italy	1993	56.3	51.9	-4.4
Cyprus	2009	45.8	45.8	0
Latvia	2009	44.2	44.2	0
Lithuania	2009	43.6	43.6	0
Luxembourg	1992	45.8	42.2	-3.6
Hungary	1995	55.7	48.8	-6.9
Malta	2003	47.9	43.2	-4.7
Netherlands	1995	56.4	45.9	-10.5
Austria	1995	56.3	52.3	-4
Poland	2003	44.6	43.2	-1.4
Portugal	2009	48.2	48.2	0
Slovenia	2009	49.0	49.0	0
Slovakia	1996	53.7	41.5	-12.2
Finland	1993	64.7	56.3	-8.4
Sweden	1995	64.9	55.2	-9.7
United Kingdom			44	
	1992	45.2	(2007)	-1.2
	2009	51.5	51.5	0

Source: own calculations

First countries that recorded a maximum level of public spending, after which they operated significant reductions were:

Luxembourg, at 51.9% of GDP and the UK, with 50.7% of GDP, with reforms started in 1981, followed by Ireland, with the level of 56.2% of GDP in 1982, Belgium with 63.8% of GDP and the Netherlands, with 58.3% of GDP in 1983 [2, p.11].

Looking more closely at the percentages listed in table 1 we can see that there are countries that operated significant reductions in public spending, such as Slovakia, more than 12% reduction since 1996, also the Netherlands, for which public expenditure fell from 1995 to 2009 with 10.5% of GDP, as well as for Sweden, whose share in GDP declined by almost 10 percentage points, from nearly 64.9% in 1995 to 55.2% level in the last year of analysis, and for Czech Republic the share in GDP declined by 8.6 percentage points of GDP, from 54.5% in 1995 to 45.9% in the last year of analysis. For Ireland, Greece, France and Great Britain, although maximum levels were reached since the years 1992, 2000, 1996 and 1992 respectively, in 2009 public spending reached the highest level, far superior to those previously recorded.

According to Hauptmeier et al. [2], fiscal reform in Sweden, one of the ambitious reformers in reducing public spending, began in 1993, when the share of public expenditure was 73% of GDP (according to AMECO statistics [3]), the budget deficit exceeded 10% of GDP and public debt was about 70% of GDP. Discretionary measures imposed by the government, consisting of increases in taxes and public spending cuts, have reduced by 16% the level of public spending in GDP within 7 years. The main categories of expenditure reduced were transfers and subsidies (from 27% of GDP in 1993 to 19% of GDP in 2000, especially social security spending), government consumption and public spending on pensions.

We find that for countries like Cyprus, Latvia, Lithuania, Slovenia and Greece were recorded significant increases in public spending to GDP, whereas the maximum level was reached in 2009, year marked by the effects of the economic and financial crisis and by the intervention of public authorities through fiscal instruments, such as subsidies and transfers, for economic recovery.

In the case of Ireland, it is important to note that it is one of the ambitious reformers in reducing public spending, with two reforms, one started in 1982 when inflation had risen long enough and the country was facing a high unemployment rate, large budget deficits of over 15% of GDP, public debt reached 85% of GDP and the level of public expenditure in GDP was 47.5%, and the second reform was continued in 1992, when their level reached 41.1% in GDP. The peak considered was that registered in 2009, 48.9% of GDP, by almost 10 percentage points up compared to 1992.

For Austria, Denmark, Italy, Belgium and France, cuts in public spending were quite small, these states are assigned according to the study of Hauptmeier et al. [2] in the category of timid reformers.

Analyzing the dynamics of public expenditure for the period 2000-2009, according to Eurostat database [1], significant increases were recorded for the UK, from 39% in 2000 to 51.5% in 2009, for Ireland to 31.3% in 2000 to 48.9% in 2009 and for Estonia, from 36.1% in 2000 to 45.2% in 2009. Only for Slovakia there is a significant decrease, by 10.6 percentage points of public expenditure in GDP, from 52.1% in 2000 to 41.5% of GDP in 2009. As a general feature, it is found that the share of public expenditure in GDP for the period 2000-2009 is lower than the one between 1995-1999.

Public spending as a percentage of GDP should be linked with human development index for each country. According to the HDI ranking in 2009, on the first 10 positions were: Norway, Australia, New Zealand, USA, Ireland, Liechtenstein, Netherlands, Canada, Sweden and Germany. We find that Denmark, with the highest level of public expenditure in GDP in Europe, in 2009, of 58.4%, is not within top 10 countries with the highest level of human development, but ranked 19th, with a HDI of 0.864. The following positions throughout Europe stood in 2009, to Finland, with 56.3%, France 56% and Sweden with 55.2% of GDP. Only Sweden is found in top 10 countries, ranking 9th (an HDI of 0.884), while Finland is found on the 15th position (an HDI of 0.869), a better result than that registered by Denmark, while France ranked 16th (an HDI of 0.869).

Thus, this finding leads us to conclude that there is not a strong relationship between the level of public expenditure in GDP and HDI, as Norway, with a share of public spending to GDP of 46.3% in 2009 (according to Eurostat database) recorded the highest level of human development, according to the value obtained for the HDI in 2009 of 0.937. Therefore one state can achieve a high level of education, health and gross income per capita to a level of public expenditure in GDP of about 46.3%, taking into account public sector efficiency issues and the connections with the private sector.

2. Changes in public expenditures policy according to their economic and functional structure

In 2009, as regards the economic structure of general government spending, there was a predominance at the EU Member States of the current expenditures, while capital expenditures were less than 5% in some countries (Denmark, Austria, Belgium, Germany), under 10% in others (Lithuania, Ireland, Latvia, Luxembourg, Czech Republic), and in some cases below 15% (Bulgaria, Estonia, Poland, Romania).

Within current expenditures, social benefits had the highest specific gravity, with the share above 40%, followed by compensation of employees and intermediate consumption. Weights of staff costs in total public spending had values of over 25% in most states, suggesting a large budgetary staff reported to the number of population, while below this limit was Germany, with 15.6% of staff costs in total expenditures.

Table 2. The dynamics of public expenditures categories according to economic classification as a percentage of GDP in 2009 (or nearest year) compared to the maximum of public expenditures during 1991-2009

Countries	Year with the maximum level of public spending	Intermediate consumption	Social benefits	Compensation of employees	Capital transfers payable	Subsidies	Interests	Gross capital formation
Belgium	1993	0,7	2,3	0,6	0,3	0,8	-7,4	-0,2
Bulgaria	2000	-1,1	1	-0,8	0,1	-0,1	-3,4	1,2
Czech Republic	1995	0	4	0,8	-12,4	-0,8	0,3	-0,9
Denmark	1993	2,5	-1,9	1,7	-0,3	0	-4,8	0,3
Germany	1995	0,4	1,7	-1,3	-6,6	-0,8	-0,9	-0,5
Spain	1995	1,3	1,8	0,7	-0,7	0,1	-3,3	0,7
Italy	1993	0,8	3,2	-0,7	0,3	-0,9	-8,1	-0,2
Luxembourg	1992	0,7	0,9	-2	-0,4	-1,1	-0,1	-1,6
Hungary	1995	-0,2	1,7	-0,5	-5,1	-1,2	-4,4	3
Malta	2003	1,1	0,6	-0,5	-2,2	-1,1	-0,3	-2,9
Netherlands	1995	1,7	0	-0,6	-4,6	0,5	-3,4	1
Austria	1995	-1,2	1,7	-2,7	0,6	1	1,3	-1,7
Poland	2003	-0,4	-2	-0,5	-0,2	0,3	-0,4	1,9
Slovakia	1996	-4,3	2,2	-1,7	-4,9	-2,3	-1,1	-1,8
Finland	1993	2,2	-4,1	-1,6	0,5	-1,8	-3	0,1
Sweden	1995	-1,1	-2,2	-1,1	-0,2	-2,1	-4,1	-0,3

Source: own calculations according to Eurostat database on public expenditures levels

As can be seen in table 2, according to the economic structure of public spending, the largest reduction in the expenditure category concerned public interests, and from 1993 to 2009 two states, Belgium and Italy, have operated significant reductions, of 7.4 and 8.1% of GDP, followed by Denmark, where

the change was -4.8% of GDP, while for the period 1995-2009 two other states, Hungary and Sweden, have recorded reductions of 4.4 and 4.1% of GDP.

Also, another category of public spending which recorded changes is the one for transfers, and countries that operated significant reductions were the Czech Republic (-12.2% of GDP), Germany (-6.6% of GDP), Hungary (-5.1% of GDP), Slovakia

(-4.9% of GDP) and the Netherlands (-4.6% of GDP). Intermediate consumption has dropped by up to 4.3% of GDP for Slovakia, while for gross capital formation there were no important changes, some EU Member

States reduced their spendings with 0,2-0,5% of GDP, while in Bulgaria, Poland, Hungary were recorded increases of 1.2, 1.9 and 3% of GDP.

Table 3. Changes in public expenditures for social security, health, education and economic affairs, as a percentage of GDP in 2009 (or nearest) compared to the maximum level for the period 1991-2009

Countries	Year	Social security	General public services	Health	Education	Economic affairs
Belgium	1993	0.1	-5.9	1.8	0.1	1.3
Bulgaria	2000	0.4	-2.5	0.8	0.1	0.5
Czech Republic	1995	2.1	0.3	2.1	0.7	-12.6
Denmark	1993	0.6	-3.8	1.9	0.7	-1.8
Germany	1995	0.8	-0.6	0.6	0	-7.5
Spain	1995	1.7	-2.2	0.5	0.4	-0.1
Italy	1993	2.7	-6.8	1.3	-0.5	-1.0
Luxembourg	1992	0	-0.5	-0.3	-0.3	-1.8
Hungary	1995	-0.4	-3.5	-0.9	-0.1	2
Malta	2003	0.6	0.9	-0.5	-0.7	-4.5
Netherlands	1995	-4.3	-3.2	2.3	-0.1	-0.1
Austria	1995	-0.1	-1.6	0.5	-0.4	-0.7
Poland	2003	-3.2	-0.9	0.8	-0.4	-1.5
Slovakia	1996	-2.8	-2.9	2.4	0.5	-6.1
Finland	1993	-4.3	-0.9	1.4	-0.7	-3.4
Sweden	1995	-3.6	-3.2	1.2	0.3	-1.1

Source: own calculations according to Eurostat database

Table 3 shows that there were cuts in public spending on social security especially for ambitious reformers in terms of public spending since 1995-1996, like Finland and the Netherlands (4.3 percentage points), Sweden (3.6 percentage points), Poland (3.2 percentage points) and Slovakia (2.8 percentage points). According to Eurostat database [1], countries with the lowest level of social security expenditure per capita (in €) in 2008 registered the largest annual increases. This is the case of Latvia, Lithuania, Bulgaria, where annual increases in 2008 compared to 2007 ranged from 22.01% (Bulgaria) to 28.31% (Lithuania), unlike Finland, which spends more (€7103, 88/capita in 2008) and the increase is 5.16% for the period 2008/2007.

In most EU Member States expenditures for general public services recorded significant downward shifts. It is the case of Belgium (from 15.1% of GDP in 1993 to 9.2% in 2009), Italy (from 15.5% of GDP in

1993 to 8.7% in 2009), Denmark (from 11.3% of GDP in 1993 to 7.5% in 2009), Sweden (from 10.7% of GDP in 1995 to 7.5% in 2009), while in Malta these expenditures have increased, from 6.3% in GDP in 1995 to 7.2% of GDP in 2009.

For health there were minor reductions in public spending for Hungary, Luxembourg and Malta, while in countries that operated significant reductions in total public expenditure since the years 1995-1996, namely the Netherlands, Slovakia, Sweden, Czech Republic, were increases, given the importance of this area for the members of society but also for society as a whole, contributing to economic growth. Analyzing the dynamics of public health spending per capita, expressed in euro, we can find the same differences between developed and developing countries from the European Union. Countries that have spent the most per capita over the period were Denmark (in 2010, € 3621.98 / capita), Luxembourg (in 2009, € 3885.11 / capita), Ireland (in 2009, € 3179.44 / capita), Austria (in 2009, € 2695.50

/ capita), Netherlands (in 2009, € 2362.76 / capita), while Bulgaria has allocated for health amounts between € 48.6 - € 200.33 per capita.

Analyzing data from table 3 we can see that there were small reductions in public spending on education (taking into account their positive contribution to human development) even for the countries that have operated significant reductions in total public expenditures, namely for the Netherlands, which recorded a decrease by 0.1 percentage points, while for Sweden, Slovakia, the Czech Republic have increased, these states supporting education, given its crucial contribution to the overall progress of society. In 2009, the countries with the largest allocations of GDP, according to Eurostat database [1], were Denmark (8%), Sweden (7.3%), Estonia (7%), Cyprus (7.1%), and at the opposite stood Romania (4.1%), Slovakia (4.3%) and Bulgaria (4.4%). Comparing the dynamics of public expenditure on education in GDP with the amounts in euros per capita, according to the same statistics, Luxembourg and Denmark are on top positions, allocating € 3,820 and € 3,232 respectively per capita, while with percentages between 4.3-4.4% of GDP, Bulgaria allocates € 203/capita, while Slovakia € 503/capita and Germany € 1,277/capita, the differences depending on the levels of development for each EU Member State.

In what concerns public expenditures for economic affairs as a percentage of GDP, significant downward shifts occurred in the Czech Republic (from over 20% of GDP in 1995 to 6.9% in 2007), Germany (from 11.1% of GDP in 1995 to 3.1% in 2007), Slovakia (from 10.1% of GDP in 1995 to 4.1% in 2007). Years 2008-2009, marked by economic and financial crisis have led to much higher public spending, so in most states were recorded increases, on the first position being the Czech Republic, Ireland, Latvia, with over 7% of GDP. There were significant changes for Germany, for which budgetary allocations were reduced by 59% since 1995 (€ 2626.33/capita) to 2009 (€ 1058.26/capita).

According to The Ageing Report from 2009 of the European Commission [4], public expenditures in the EU-27 are projected to grow by 1.5 percentage points of GDP till

2060, due to the combined impact of ageing, potential improvements in health status and the effect of changes in the national income. For individual countries, the increases range from less than one percentage points for countries such as Latvia (0.6% of GDP), Cyprus (0.6% of GDP), Bulgaria (0.7% of GDP) and Sweden (0.8% of GDP), to more than 3 percentage points of GDP for Malta (3.3% of GDP). In the EU-27, aged-related public expenditure is projected to increase on average by 4.7 percentage points of GDP by 2060, most of the increase being on pensions, health care and long-term care, while for education and unemployment benefits are very limited.

Public pension expenditures are projected to increase for the EU-27 with 2.4 percentage points of GDP by 2060 and data from European Commission shows a large diversity across Member States. For Cyprus (11 p.p. of GDP), Greece (12.4 p.p. of GDP) and Luxembourg (15.2 p.p. of GDP), the increase is projected to be more than 10 p.p. of GDP, while for other countries will be below 5% of GDP (Belgium, Bulgaria, the Czech Republic, Germany, France, Lithuania, Hungary, the Netherlands, Austria, Portugal, Slovakia, Finland, the United Kingdom). On the opposite, for Estonia, Italy, Latvia, Poland and Sweden, are projected decreases by 2060.

For health care, public expenditures in the EU-27 are projected to grow by 1.5 percentage points of GDP (from 6.7% of GDP in 2007 to 8.2% of GDP in 2060). For individual countries, the increases range from less than one percentage points for countries such as Latvia (0.6% of GDP), Cyprus (0.6% of GDP), Bulgaria (0.7% of GDP) and Sweden (0.8% of GDP), to more than 3 percentage points of GDP for Malta (3.3% of GDP).

In what concerns public spending for long-term care, in the decades to come, are projected to increase in the EU-27 with 1.1 percentage points by 2060. For Bulgaria, Estonia, Cyprus, Portugal and Romania, the change will be less than 0.2 percentage points, while for Greece, The Netherlands, Finland and Sweden the projected change is more than 2% in GDP, which reflects the differences in the provision of formal care.

Public spending on unemployment benefits are projected to decrease with 0.2 percentage points over the long run, on the assumptions that unemployment rate will fall by more than one percentage point.

The Ageing Report from 2009 of the European Commission stated that although it is possible to decrease the number of children in the coming decades, the current objectives of educational policy at EU level may require increasing spending in the future. "Investment in human capital of young people and adult workforce will be crucial to future productivity growth" [4, p.5]. It is therefore possible that the slight decrease in the share of public expenditure on education during 2008-2060, of 0.2%, determined solely by demographic composition changes (fewer children in the future) to not materialize.

3. Conclusions

As a result of the analysis performed it was noticed that most EU Member States had begun the reform of reducing public expenditures at a time of economic decline, although according to economic theory, the reduction of public expenditure is to be carried out during the period of economic boom.

According to the functional structure of public expenditure, over the period considered were recorded significant reductions in social security for the ambitious reformers, such as Finland, Netherlands, Sweden, Slovakia, while for the other expenditure categories were not significant changes. According to the economic structure, the largest reductions in public expenditure focused on the category of interests and transfers.

On the basis of the analysis performed I believe that it is necessary on long-term and also as a solution to the current economic and financial crisis a reconsideration of the level of public expenditure within the meaning of rationalizing, focusing on the effectiveness of budgetary allocations.

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Economic Crisis an Essential Factor in the Outbreak of War Perspective

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Abstract

An armed war between great powers is unlikely possible, but the big powers are waging an increasingly intense economic war, to establish a political, economic and financially world leadership .

Key words: human suffering, economic crisis, population, cognitive elite

J.E.L. classification: F01

countries whose economies depend on these countries by exporting raw materials. The devastating impact of the Great Depression was human suffering.

Due to the rapid decrease in productivity on a global scale, there is a sudden drop in living standards. A quarter of the workforce of the industrialized countries remained jobless, inevitably leading to lower consumption, which generated the main cause of the Great Depression, which really pushed the world's population to despair and panic.

1. Introduction

Through the history of the world economy, we find that the early nineteenth century is marked by economic, social and political conflicts that actually triggers the two world wars.

Nationalist spirit, who have a strong footprint in economically developed countries of Europe and the belief that the interests of these countries are threatened, made to adopt a strategy of arming and increasing naval capabilities.

The solution of finding foreign markets and the political imposition was the onset of World War I (1914-1918). During 1929 - 1933 was characterized by a worldwide slump in productivity, through a major decline in consumer demand, particularly severe rate of unemployment and a sharp financial panic.

This period called the Great Depression was the longest and acute economic crisis that has been almost everywhere. The economic crisis has had devastating effects in countries with advanced economies, industrialized countries, but also in all

2. Great economic crisis

The rivalry between racism, nationalism, and militarism, as well as the increasing doctrines Italian Fascism, German Nazism and Japanese imperialism, plus the threat of the outbreak, „Revolution World”, planned by the Communist International, lead to the outbreak of World War II, war in which died at least 60 million people.

The two world wars in which the states have faced in armed struggle, have left behind millions of dead and huge destruction of goods and works of art. Immediately after the Second World War has been a strong industrialization, a massive industrial production. They demanded more and more machinery, especially agricultural ones, household appliances and so on. Also, production of aircraft and river and sea vessels increased in that period of time.

All of these have to grow at a rapid pace productivity, and once they have created many jobs. It starts the need for establishing international economic relations, creating the interdependence between national economies

of the countries of the world, forming complex and strong networks, of which no nation, however powerful it was, cannot be possible to exclude in a realistic way.

Basic features, essential in the postwar period is made up of interstate economic integration, economic cooperation gaining a special dynamic.

After the Second World War have complex changes in the conditions of scientific and technical, economic, political, social and cultural development that creates new perspectives. Now after 80 years of the Great Depression, the world economy faces a serious financial and economic crisis, more severe, in the context of the major world economies that went into recession.

The idea of the danger of a third World War is one of the current economic figures, about Austan Goolsbee¹, says: "If Europe does not solve the problem of undercapitalized banks, the situation can become explosive and can turn into a global war". His statement was supported by the Polish Minister of Finance, Mr. Jacek Postowski. Paul Krugman, Nobel Prize for economics, said: "We need, in fact, the financial equivalent of war".

What really ended the Great Depression was huge public expenditure program, known as the Second World War. After so many years the world has changed, has not stopped the production of weapons and arms race continues on the contrary, the weapons are more powerful and sophisticated, and their power of destruction is much higher.

Currently existing nuclear weapons could destroy at least 100 times the globe. However, an armed war between great powers is unlikely possible, but the big powers are waging an increasingly intense economic war, to establish a political, economic and financially world leadership.

This confrontation between great powers has always been, but in recent years has intensified, becoming a war that makes collateral damage in small states, states with weak economies, which depend of great economic powers.

It is a silent but fierce battle of strong states in terms of economic and financial, to buy and hold as more and more important assets in competing countries and in small

states, thereby imposing itself and directing the whole economic process politically and financially.

In a word, the great economies have the power in this whole area, which handles power to their advantage just by holding their assets in financial and economic sectors most important and very strategic.

Given the memories of two world wars, was cautious throughout Europe for decades and still is, in terms of economic domination and leadership on the European continent. For more than half a century after World War II, Germany was the one who provided the money and was pleased to be a great industrial power, but the political leadership was left to France.

Germany wishes were always made in Europe in terms of policy promoted and supported by France, a policy that always consider not to use force.

Germany with a strong capital, money made on products manufacture, quality, survived the last two years paid, and covering large deficit countries in Europe. However she avoided and still avoids assume management tasks, while both France and Italy declined in influence, not having a clear vision on how to avoid financial and economic problems in the future.

Although the question of its move away from Europe, Germany is aware that his success and money learn from those around him. A major economic and financial crisis would certainly affect Germany. Currently, governments in Europe and the world fail to maintain economic stability, fail to create jobs and fail to indicate a direction to be worked to ensure a real and necessary growth.

Most leaders of the world present economic crisis as a natural disaster (tsunami) in the way that you cannot push aside. Nobody does anything to alleviate the crisis and unfortunately the most affected are ordinary people, workers. Economic crisis, with its negative affect alters the quality of national social-economic and cultural life of people. Man facing problems that directly affect the existence and spends much of time to provide food for himself and his family will have to learn that work is the best treatment against poverty and economic

growth is the safest jobs creator. In these conditions we can assist to a radical change in mindsets of the people.

People appreciate better financial opportunities, orders its priorities exactly and purchases and shopping lists contain only the necessary minimum. With a careful and thorough analysis addresses issues of bank loans and analyzes in detail the possibilities of return, taking into account the possible problems that may occur in conditions of crisis (wage cuts, or even temporary loss of job). The global economic crisis takes its toll on the political, economic, military and financial hierarchy. Since ancient times there was a rivalry between the most powerful states in the world. This rivalry has permanently changed positions and hierarchies in terms of economic, political, military and financial.

Unfortunately, worldwide, especially in Romania, everything is politicized and private world secures its private world peace through subscribing for parties reached power politics, or support certain political issues, which of course bring their advantages.

The economic crisis started about four years ago. Even economic process cycles have changed, so that coming out of crises no longer spans long periods of time, yet economic efforts and attempts to find solutions are tremendous (Anca.Vârgă Ungureanu, Ad.Ungureanu - The effect of globalization of the Human Development Index in-Romania, *Industrial revolutions, from the globalization an post-globalization perspective*, 2009, pag 359-36). The economic crisis is the undeniable effect of weak leadership prepared unable to exercise the obligations of managers and they perform different industries, functions and senior positions in leading countries, obtained by political aservilism.

The political parties have a major lack of professionals, serious people who have experience and power to solve problems that inevitably occur at the level of institutions, the state and worldwide.

Superficiality in preparation, arrogance and hypocrisy even party members are the only items that are prepared under the careful observation of the heads of parties in the so-

called "summer schools" There are still many young people, always eager to learn new things, to deepen knowledge and to apply the experience and their ability to move things forward on the right track, bringing major benefits for most people.

Education is the best way to achieve intellectual gifts and abilities necessary for success. Center for Education and Workforce at Georgetown University by recently made studies demonstrates that a diploma from one of the faculties of prestigious, internationally recognized, not only bring added value, but also a substantial addition to salary.

If a college graduate in the U.S. can earn 3.6 million a year, who only finished high school, cannot hope to gain 1.3 million per year. According to the same study considers that a person may earn college 75% more, after a working life than one that has only

Area	Percentage of increase
America de Nord	22%
Europa	74%
America Latină	144%
Asia	203%

Source: Statistics published in Money EXPRESS no. 177(14)/03.10.2011

high school. Another weekly statistics made by The Chronicle of Higher Education shows that during 1990-2007 the number of students increased.

Worldwide in 2007, a total of 150 million young people were attending university, and of these 70 million were in Asia. The current recession has left a strong impression in this area, making major felt a drop in demand for college graduates. The world population at present is given as follows:

Global active population:		
2,3mld.	2,7mld.	3,1mld.

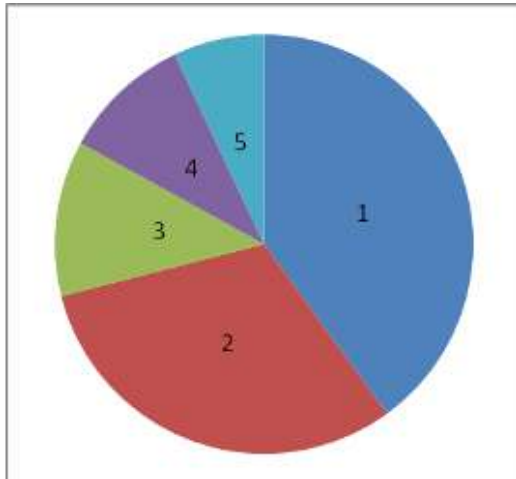
1991 2001 2011

Source: Statistics published in Money EXPRESS no. 177(14)/03.10.2011

Global workforce.

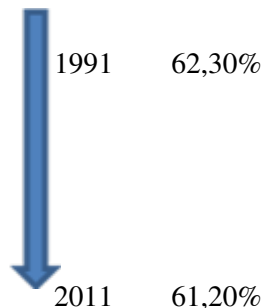
1. Full-time employee 40%
2. Self-employed full-time 31%

3. Employed part-time, likes 12% full-time
4. Part-time employee does not want full-time 10%
5. Unemployed 7%



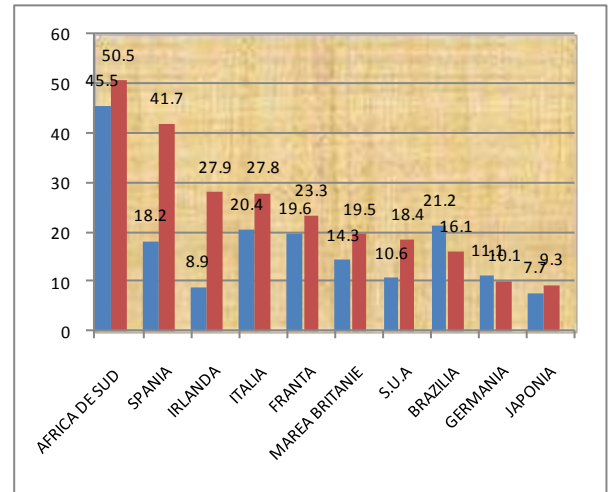
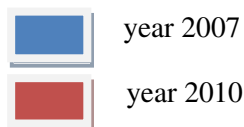
Source: Statistics published in Money EXPRESS no. 177(14)/03.10.2011

Overall active population:



Source: FMI, OMM, The Economist

Unfortunately statistics show that world population has increased, have created more jobs, but the number of places are not working has increased and is increasing.



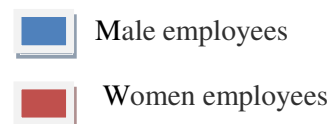
Source: FMI, OMM, Gallup, Fortune, EIU, "The Economist", "EXPRESS MONEY" - no.177(14), 03.10.2011

3. Conclusions

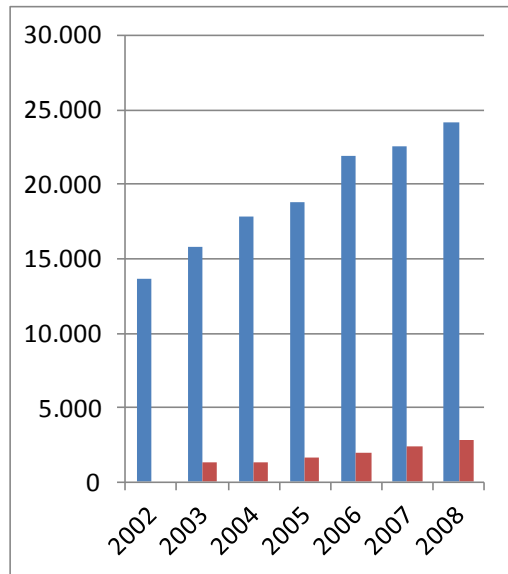
The recession that rocked so many workers begin to feel and cognitive elite. The best and brightest in rich countries begin to compete for jobs with those in poorer countries, as well as accepting their jobs more difficult and less pay.

New technologies, constantly upgrading and progress in the computer world, leads to the disappearance of many jobs (especially those that require repetitive work).

This inevitable as appreciation of many economists, including Paul Krugman, will create an „excavation” with their jobs. Thus college graduates with good results will be more easily outsourced. Since they still expect a spectacular evolution, whose results can push forward to a continuous development concepts.



In these young people we have to make large investments because expectations must match. The state must intervene to create conditions in areas of national research and allocate the necessary funds. Research in Romania has started to revive after a long period when it was neglected. Before 1990 there were 150,000 workers in Romanian institutions.



Source: Statistics published in Money EXPRESS no. 177(14)/03.10.2011

The economic crisis makes people's mentality to change radically. First, excessive growth of the phenomenon of unemployment due to economic crisis, is to increase this fear of becoming unemployed, especially in the areas of research, sales departments, real estate, banking, auto and insurance.

In heavy conditions of crisis, the intervention of massive state for appropriate distribution of resources in areas that there is a clear potential to create jobs have the ability to recover economically.

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Research Concerning the Romanian Immigrants Owners of Grocery Stores with Romanian Food Products in Andalusia, Spain

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Abstract

Complex and dynamic phenomena, both migration and entrepreneurship represent key factors for economic growth in a country.

This paper aims to present the main findings of a research carried out among Romanian immigrants in Andalusia, Spain in order to identify and to describe the entrepreneurial approach of the Romanian immigrants in Andalusia, from the perspective of both migration-entrepreneurship relationship and the migration-demand-supply relationship, focusing on grocery stores type of business. The paper outlines the story of a Romanian immigrant owning a grocery store with Romanian food products in Andalusia, focusing on highlighting a series of specific features of the business owned by the Romanian immigrant, from the two previously mentioned perspectives. Furthermore, the paper intends to provide a role model for Romanian immigrants in Spain - in particular - and worldwide - in general.

Key words: migration, entrepreneurship, demand, supply, food products.

J.E.L. classification: F22, L26, O15.

1. Introduction

History shows how migration has determined the world population [11]; world history is marked by periodic episodes of human migration [21]. America would have been a desert until its discovery by Europeans, if the Asian hunters and farmers

had not "ventured" thousands of years ago on the portion of land that, at that time, connected the icebergs in Siberia to those in Alaska. Today, major cities in Europe would be empty if a continuous flow of immigrants did not offset the balance between births and deaths, negative over the centuries [17].

In 1948, the right to move is approved along with other rights by the Declaration of Human Rights, where in Article 13 is stated: "1. Everyone has the right to move freely and to choose their residence within the borders of each state. 2. Everyone has the right to leave any country, including his own, and to return to his country" [5]. Since then, the volume of international migration has begun to grow, the phenomenon being supported by technological progress, the improvement of means of transportation, and especially by globalization.

Even if it represents an ancient activity, migration has never seen so much attention as it currently has. Never before have political leaders given such an importance and priority to migration related issues as in present times [4]. For example, issues associated with the positive effects of migration on the development of the countries of origin of immigrants represent the centre of policy initiatives; in recent years, there has been an abundance of events regarding the influence of migration on the development of the countries of origin of immigrants [10],[22],[7].

Also, as migration clearly contributes to the numerical evolution of population (migration effects are similar to those of birth (immigration) or of death (emigration)), in recent years, at global level, a very high interest for the debates on migration as a potential solution for low birth rates and/or

aging has been seen [20], [9], [6], [12]. In what concerns the scientific literature in economics on human migration, according to Dustmann and Preston [8] there is a vast empirical economic literature focused on identifying the effects of migration on the economy. For example, recent articles published in scientific journals of international impact mainly address the relationship between migration and the labour market [2], [13], [15], [16], [18] or analyse the effects of migration on the migrant's country of origin from the perspective of remittances [3], [16]. In what concerns the pieces of research on the relationships between migration and entrepreneurship, there is a vast literature on the analysis of the profile of the immigrant entrepreneur, differences between countries, their needs and potential, and their comparison with local entrepreneurs [14]. From the various studies offered by the scientific literature on immigrant entrepreneurship, it can be assessed that, in general, the businesses initiated and developed by immigrants mainly focus on the sale of ethnic products, retail, construction, intensive agriculture, high intensity personal services, and hospitality and food [1].

The present paper aims to present the story of a Romanian immigrant entrepreneur of a grocery store with Romanian food products in Andalusia, Spain, in order to provide a role model for Romanian immigrants. The paper focuses on highlighting a series of specific features of the business owned by the Romanian immigrant, from the perspective of the migration-entrepreneurship relationship and the perspective of migration-demand-supply relationship. In this sense, the paper is structured into two main parts, apart from the introduction and conclusions. The first part of the paper submits a series of methodological aspects, while the second one outlines the main information related to the business owned by the Romanian immigrant in Andalusia.

2. Methodology

During May-June 2011, a research was carried out among Romanian immigrants in Andalusia, Spain, aiming to identify and to describe the entrepreneurial approach of the Romanian immigrants in Andalusia, from the

perspective of both migration-entrepreneurship relationship and the migration-demand-supply relationship, focusing on grocery stores type of business, in order to answer the following question: What is the entrepreneurial approach of the Romanian immigrants, owners of grocery stores with Romanian food products in Andalusia?

Thus, in order to reach the proposed objective, an investigation on the internet for grocery stores with Romanian food products active in Andalusia, and an inquiry among a series of representative figures of the Romanian community in Andalusia about the existence of grocery stores with Romanian food products in the area were conducted. In order to identify grocery stores with Romanian food products active in Andalusia on the internet, special websites addressed to Romanian immigrants in Spain and discussion forums of the Romanians in Spain have been consulted. The investigation on the internet and the inquiry conducted led to the identification of four grocery stores with Romanian food products active in Andalusia. The next step of the research consisted in contacting the entrepreneurs owning the grocery stores in order to be interviewed. But, out of the four entrepreneurs, only one entrepreneur was interviewed. One grocery store had been closed in January 2011, but its commercials were still available on the internet when the stores were searched. The other two entrepreneurs could not be contacted.

In order to protect the identity of the interviewee, further on in the paper she will be addressed as Entrepreneur X. Also, for the same reason, the place where the grocery store is opened will be addressed as Place X.

The fact that the specific scientific literature in the field of migration-demand-supply relationship is narrower than the specific scientific literature in the field of immigrant entrepreneurship represented the main argument for the choice of an in depth analysis of the topic. In this sense, the method used for gathering information was an unstructured interview. The conducted unstructured interview was informal and it did not have a predetermined list of questions. Even so, a clear idea about the aspects intended to be explored was defined. The interviewee was given the opportunity to

talk freely on the subject, and the interview was conducted face to face.

3. Best practices - an example of a Romanian immigrant entrepreneur in Andalusia willing to succeed

Before presenting the main findings resulted following the interview, the authors of this paper want to respectfully express their sincere and grateful acknowledgements to Entrepreneur X who took part in the conducted study.

With previous experience as an entrepreneur, Entrepreneur X is not at her first attempt to start and develop a business. Before moving and initiating the business in Place X, Entrepreneur X ran a business in Romania. Although the area of activity of the two businesses is similar - respectively commerce - the traded products belong to different branches, namely construction in Romania and food in Spain. However, even if the two businesses implied two different branches and they were developed in two different places, it can be assessed that Entrepreneur X has expertise regarding the entrepreneurial process, has a raised level of awareness concerning the issues involved by the entrepreneurial approach, and has a developed entrepreneurial spirit.

"In Romania, along with my husband, I owned an enterprise selling building materials. Here, in Place X, I run a grocery store where I sell Romanian food products."

One of the factors that led to the migration of Entrepreneur X and the opening of the grocery store with Romanian food products in Place X was the economic crisis. From one perspective, the economic crisis represented for Entrepreneur X an obstacle and an inhibitor regarding her business in Romania, but in the same time - from another perspective - it represented an opportunity generator for migrating and initiating a business in Spain.

"By the middle of 2008, the activity of our company in Romania took an unexpected turn. The number of clients started to fall increasingly every day and the clients we had were not able to pay their bills anymore on time. Until the middle of 2009, we continued our business related to the construction industry as we were hoping that things will

start to improve. This did not happen and at one point we decided that we had to reorganize our lives."

Nevertheless, the decision could not be taken without a remarkable level of confidence, a high risk attraction and a very pronounced entrepreneurial spirit.

"Along with my husband and kids, I decided to close the business in the construction industry, to sell our house and cars and move to Place X in order to start a new business, and a new life there."

Another factor that led to the migration of Entrepreneur X and the opening of the grocery store with Romanian food products in Place X was exactly the place. With its specific beauty, resources and climate, Place X represented for Entrepreneur X an important pull factor, becoming the perfect place to start a new life and business

"In 2002, along with my husband, I first came to Place X on vacation. We had some Romanian friends who were living there and who were inviting us all the time to come to Place X to spend our vacation with them. We returned again on vacation in 2004 and 2006. We loved the place so much that we told ourselves that whenever things won't work in Romania anymore we will go there to start a new life."

Place X was not chosen in total unawareness. It was quite familiar to Entrepreneur X, being previously visited and known, as some of her friends were already living there. Entrepreneur X's social network (her friends) represented a powerful source of support, also contributing to the development of the business idea, by providing her the necessary information on the new venture opportunity.

"The friends we had in Place X kept telling us that there is a huge demand for Romanian food products which cannot be satisfied. They kept encouraging us to come to Place X and open a grocery store with Romanian food products, because Place X is extremely populated by Romanian immigrants, very willing to buy and consume Romanian food products, and there were no such stores in the area."

Even if she had the support of her social network and family, the entrepreneurial process was not easy. Her expertise in the entrepreneurial area, courage, determination,

motivation, and risk-oriented character conducted her to develop the business idea even if the start was extremely difficult.

"The store was opened in 2010 and the first year was the most difficult one; we almost spent all the financial resources we had from Romania. But, after one year, the business started to be profitable."

The clustering of Romanian immigrants in Place X and the potential demand for Romanian food products manifested by the Romanian immigrants in the area, created entrepreneurial opportunities for Entrepreneur X. Therefore, Entrepreneur X filled a market niche previously untapped. She based the business on selling food products specific to Romania, products not sold by local businesses, usually consumed by Romanians.

"The main clients of the store are Romanian immigrants who are buying the products we sell very often; on a scale from 0 (very seldom) to 6 (very often), the shopping frequency of Romanian immigrants can be assessed with 4."

However, even if the main targeted clients were Romanian immigrants, Entrepreneur X addressed also the Spaniards living in the area. The introduction of new products (specific to Entrepreneur X's country of origin) contributed to the growth of the available range of products on the market specific to Place X. Entrepreneur X wanted to stir Spaniards' appetite for Romanian food products, by introducing and promoting them on Place X's market. Even if Spaniards have not got familiar yet with Romanian food products, because of their high level of traditionalism in what concerns food, Entrepreneur X still tries to make the Romanian food products known and appreciated among the Spaniards in the area.

"The Spaniards do not visit the Romanian grocery store very often, and when they want to buy something from the store, they buy beer. If I assessed the shopping of the Spaniards in my shop, on the same scale as in the case of Romanians (0 - very seldom to 6 - very often) it would be 1."

Even if the Romanian food products have not been introduced yet in the daily food consumption habits of the Spaniards living in Place X, the grocery store represented for Entrepreneur X an important means for

integration in the Spanish society.

"The grocery store I own helped me and my family to be accepted and quickly integrated by the Spaniards. The grocery store is something like a brand for me and my family. The Spaniards perceive us in association with the store."

As a final consideration it can be appreciated that Entrepreneur X is a young woman, both family and business oriented, willing to succeed in any circumstances, ready to assume calculated risks, and to live new experiences.

"I am not afraid of tomorrow. Even if this business doesn't work, I can start another business in the same branch or not, or in the same place or not. It doesn't matter. As long as I have my family with me, I have their support, and if I am healthy I can do anything."

4. Conclusions

Migration represents a very important phenomenon at global level, taking into consideration its diverse implications such as demographic, socio-economic, socio-cultural, territorial, environmental, etc. [19].

The paper briefly presented the story of a Romanian immigrant owning a grocery store with Romanian food products in Andalusia, Spain, based on the information obtained through an unstructured interview conducted with her.

The interview revealed a young woman entrepreneur, with previous experience in the entrepreneurial field, with a very developed entrepreneurial spirit, very oriented towards taking risks, business opportunity seeker, motivated and very determined to succeed.

The analysis of the interview presented in this paper was conducted from the perspective of migration-entrepreneurship relationship, as well as from the perspective of migration-demand-supply relationship. In the first case, issues concerning the factors that led to the opening of the grocery store (such as the economic crisis, the place where the store was opened, the social network) were approached. In the latter case, the potential demand was addressed. Also, the modification of the range of provided food products on the market was studied focusing on the main clients, and on the perception of

locals towards the new typical Romanian food products available on the market.

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The Necessity of Central Bank's Involvement in Ensuring the Financial Stability

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Abstract

Central Bank is one of the most important actors of economic life. The policy that this institution leads is important both in relation to achieving different economic policy objectives (economic growth, unemployment rate, price stability, balance of payment equilibrium) and in relation to the policies pursued by other players on the macroeconomic stage (government, employers, trade unions, European and international institutions). As a monetary authority, Central Bank has as objectives the implementation of the monetary policy, prudential supervision and supervision of commercial banks. In the current financial crisis and its effects on the global economy, it is discussed more and more the issue that the Central Bank has to involve in ensuring financial stability.

This paper proposes a logical analysis of theoretical and practical foundations which support the necessity of Central Bank involvement in order to ensure the financial stability, the reasons and limits of its actions.

Key words: global financial crisis, price stability, financial stability, monetary stability, macroeconomic balance, prudential supervision, risk management, monetary policy objective

J.E.L. classification: E52, E58, G01

1. Theoretical considerations

Generally, the contemporary economists agreed that an important role in ensuring financial stability belongs to Central Bank. However, because of the relative nature of the concept of financial stability, Central

Bank's tasks in this field are quite controversial in economic doctrine, and the stipulation of these tasks in legal texts is also imprecise and sometimes different from one country to another.

Still, it is considered, that there are some functions and tasks of Central Bank that can contribute to ensuring and maintaining financial stability. These functions are:

- ✓ banking regulation and supervision;
- ✓ management and oversight of payment systems;
- ✓ the function of lender of the last resort;
- ✓ guarantee of bank deposits.

It is noted that these are the traditional functions of Central Bank, which appear precisely for the gradual involvement of this institution in ensuring financial stability. Indeed, sometimes the inherent instability of commercial banking system imposed the control by the Central Bank, that had to perform a regulatory function and refinancing of banks which are in such a situation that are not able to face – with their reserves and usual assets – massive demands of deposits withdrawals. If the Central Bank had not assumed this role, it wouldn't have been anyone to do this and customers would have suffered important losses from full non-recovery of their deposits. In fact, even through the involvement of Central Bank, in many cases, these losses couldn't have been avoided, such situations including Romania.

It means, that from a historical point of view, the Central Bank's function as the lender of the last resort appeared as a mean of guarantee the system's liquidity and solvability.

This function was completed by the role of the Central Bank as the competent authority in elaboration and implementation of prudential regulations. [1]

The utility of these functions is questionable because sometimes the Central Bank itself confronts with a problem of asymmetrical informing. Indeed, the Central Bank does not always have all necessary information in order to determine whether a commercial bank is insolvent or has only temporary liquidity problems, and therefore, has no choice but to help all banks or does not help any of them.

However, it is clear that the banking financial stability must be ensured above all. From here, the idea of creating separate supervisory institutions from Central Bank, which impose commercial banks rigorous prudential rules, as currently, the most known prudential rules at European level are defined by Basel II and more recently by Basel III.

In this historical evolution of Central Bank's functions, some recent phenomena are added, such as globalization, deregulation, the increase of financial innovation process, foreign exchange liberalization, that strengthen the links between banking sector and other important sectors of financial system (insurance, financial market). This defragmentation of capital markets creates new challenges for Central Bank, inducing it to assume new tasks and functions.

Among these new responsibilities that involve more and more the Central Bank in ensuring financial stability, we mention the monitoring of financial assets prices and supervision of financial conglomerates. In these new conditions, some economists state that the Central Bank should primarily deal with elaboration and implementation of monetary policy. The main cause for this special interest of modern Central Banks in ensuring financial stability is the fact that monetary policy can't be fully effective, unless it is based on predictable transmission mechanisms that requires a quite stable environment. Mutually, price stability – the final objective of monetary policy – is a necessary condition, although not sufficient to ensure financial stability.

Regarding the relation between price stability and financial stability, in literature, recently has been formulated the idea of what is called "new environment hypothesis", and after that, together with the inflation stabilization at low levels, it is created a new economic environment, where financial

stability is no more guarantee.[2]

In literature, it is obvious that, financial instability and, in particular, banking crisis, may have important macroeconomic risks, what requires the involvement of the Central Bank too. Therefore, at the moment, there are many authors who consider that the sole objective of the Central Bank should be price stability and there is an incompatibility between this objective and financial stability.

The truth is that Central Banks own a series of instruments that make themselves able to act in order to achieve the price stability objective and to ensure the stability of financial system. Although it is true that usually financial stability is not an explicit objective for modern Central Banks, the systemic financial instability can cancel their performance in achieving the final major objective: the price stability.

Because it is created the need to inject additional liquidity in banking system, a crisis of this sector can directly affect the monetary stability. Hence, the complementarity between price stability and financial stability appears, although the achievement of first objective does not involve necessarily the latter.

The defining of financial stability in a specific economic field can have many approaches, in literature and in practice, known as a broad vision and one narrow of financial stability, both with implications for the Central Bank.

The broad definition focuses on the functioning of the whole financial system, representing the situation in which financial system has the capacity to attract and to invest funds efficiently and to resist at shocks without damaging the wealthy functioning of the real economy. In these conditions, the Central Bank can be involved in prudential supervision of the financial banking system.

The narrow definition focuses on the necessity of avoiding financial crisis, representing the situation in which banking crisis do not appear, and assets price and interest rate lead to a high stability level. In this context the Central Bank is primarily concerned on the efficiency of policy interest, because it can lead to a certain tension between price stability objective and financial stability objective.

Usually, the financial stability concept is defined in financial stability reports released by Central Banks. The broader definition of financial stability from Central Banks reports is the bigger concern for the issues related to the stability of the entire financial system, and the larger amount of information and analyses in these reports. [3]

In Romania's case, the financial stability is defined as “that characteristic of the financial system to resist to systemic shocks on a sustainable basis and without major disturbances, to allocate efficiently financial resources in the economy and to identify and to manage efficiently the risks”. [4]

2. The Central Bank and financial stability in the context of the current financial crisis

The main reasons for which a modern Central Bank must play a key role in ensuring price stability can be presented such:

- ✓ the Central Bank is the sole issuer of the currency “primary” constituting the legal (final) means of payment;
- ✓ the Central Bank is the sole institution responsible for the proper functioning of national payments system, that is the main channel of transmission and amplification of system risks;
- ✓ the banking system is the main institutional component of the monetary policy's transmission mechanism to the real economy;
- ✓ the monetary stability and the financial stability are closely related, one of the usual causes of financial crisis is the excessive increase of money supply. Sometimes, the Central Bank itself has difficulties in adjusting the volume of liquidity in the economy in terms of its monetary policy objectives.

Once the financial crisis began in 2007, the National Bank has tended to become a net creditor of the banking system, and the foreign capital inflows decreased significantly. But this fact does not mean the enforcing of monetary policy, because, due to the spreading of financial crisis at global level, the volatility on monetary and exchange markets increased very much, and the economic activity tends to slow down.

The reduction of external financing, the existence and persistence in the recent years of large external imbalances determined the depreciation of the national currencies in the region, including Romanian leu that makes the inflation rate increase and the maintenance of relatively high interest rates become necessarily. In these conditions, the debtors in euro and other currencies, and thus the entire financial system are vulnerable to a significant depreciation of Romanian currency. The high costs of lending for all the players on the market (including the states with large debts) could imbalance very strong the financial sector and thus to appear the delicate problem of the compromise between the monetary policy objectives (price stability) and ensuring financial stability.

The effectiveness of monetary policy in achieving the primarily objective, price stability is limited if there is no financial stability, considering that the frictions in financial plan significantly influence the business cycle and, at the moment, in the world this thing is very obvious. World's Central Banks try to maintain financial stability and to avoid recession and economic depression.

Romania's experience shows that financial stability has a special importance for price stability. Between 2006 and 2010 our country registered a consumer price index evolution between 4.84% and 7.85%, being often criticized for delays in disinflation. These evolutions are due to insufficient structural reforms, and if NBR had filled this lack of reforms, the financial situation of companies and households would have been more damaged.

The monetary policy plays an important role in starting and managing banking crises, although in the recent decades the lending trends in aggressive rhythms favored the speculative increasing of assets' stock and real estate prices and stimulated the indebtedness of economic agents which created the source of economic and banking difficulties, the appearance also characteristic to Romania in the current economic and financial crisis.

In this context, the importance of monetary policy promoted by the NBR, and especially the success of this is given by the level of interventions that are done as lender of the last resort (the amount and the interest

on which is carried out), but also by the level of macroeconomic measures which shall be evidenced by their nature more discreet than the measures of budgetary and fiscal policy. Thus, the measures taken by the National Bank of Romania in the years 2009-2010 as successive reductions of the monetary policy interest rate (to 6.25 percent current level) were likely to reduce the cost of bank loan, to improve the situation of debtors, although the recovery of economic growth and lending activity failed.

Adopting inflation targeting, NBR left the more the market place in setting the exchange rate. However, there were times when domestic currency fluctuations have been far beyond the limits justified by the fundamentals in exchange rate. So was the

Table 1. Inflation potential determinants of deviations from projected trajectory

CAUSES	BALANCE RISK
The conduct of fiscal policy and incomes in the public sector	Risk of upward deviation
Structural rigidities in the economy	Risk of upward deviation
Uncertainties regarding the horizon of overcoming the adverse consequences of the global crisis on the national economy	Relatively balanced
Perception of risk from the emerging economies of Europe in the context of Greek public finance crisis	Relatively balanced
Administered price trajectory	Relatively balanced
Volatile prices dynamics of food products	Relatively balanced

Source: National Statistic Institute, National Bank of Romania

During 2010, the Central Bank has adopted a series of measures to solve the severe tensions observed in some segments of the market, which affect the monetary policy transmission mechanism and, therefore, the effective implementation of the monetary policy to maintain the price stability over the medium term.

The Central Bank has decided to conduct interventions in the euro area public and private debt securities markets, under a securities markets program, to ensure depth

case several times between 2004 and 2007, when there were large capital inflows and the domestic currency has appreciated very much. It happened at certain times, and after the international financial crisis started including 2009. These were the reasons for which the Central Bank adopted a managed floating exchange rate, but this does not mean that Central Bank intervenes in the foreign exchange market in its sole discretion [5].

NBR's policy regarding foreign exchange intervention was guided by the philosophy that high exchange rate volatility is harmful for both the inflation objective and the financial health of the real and financial sector.

and liquidity in those market segments that are dysfunctional. The objective of this program is to correct the malfunctioning of securities markets and to ensure the proper functioning of monetary policy transmission mechanism. The main actions promoted by the Central Bank in financial crisis situation are:

✓ ***In order to maintain the liquidity in the economy:***

- NBR has reduced the monetary policy rate from 10,25% (July 2009) to 6,25% (May 2010);

- NBR has reduced the minimum reserve requirement rates:

- from 40 to 20% for foreign currency liabilities with residual maturities shorter than two years, in four stages of 5 percentage points (June, August, November 2009, and April 2011);

- from 40% to zero for foreign currency liabilities with maturity longer than two years, from 18% to 15% for domestic resources (June 2009).

✓ ***For stimulating the revival of credit process:***

- the flexibility of provisioning system for overdue loans for more than 90 days and/or for which legal proceedings were initiated by deducting up to 25% (instead of 100%) of the value of collateral (April 2009);

- the flexibility of the conditions for the maximum degree of indebtedness of the debtors for some loans categories such as mortgage-backed loans and securities backed by State (February 2009);

- different treatment for rescheduled loans, that allows their reclassification in a higher class, with a corresponding reduction of the provisions (September 2009). The improving of the structure and level of own funds, including intermediate profit obtained during the year, and the profit recorded at the end of that financial year (September 2009).

The global economic and financial crisis strongly manifested in 2009 represented the dominant context deeply negative where Romanian real and financial sector operated. The current account external deficit adjustment has strongly impacted on the companies' performance, incomes of the economy and on the evolution of financial system, significantly increasing the vulnerability of the economic system.

The banking system, with comfortable levels of solvency and liquidity, has absorbed well the crisis shocks but with the cost of a lower performance, of growing risks of dynamics and persistence of non-performing loans, prolonged inhibition of loans demand and a relatively high dependency on external financing.

A stabilizing factor has been the funding agreement signed by authorities with European Union (EU) and International Monetary Fund (IMF).

The prospects of banking system and, generally speaking, of national financial system mostly depend on economic system revival and regional developments.

3. Final considerations

Central Bank is one of the institutions with the pivotal role in ensuring financial stability that has as main objective the price stability.

A fundamental role in ensuring price stability and also financial stability returns on medium and long term to the monetary policy conduct and its transmission mechanisms to influence positively the dynamic of aggregate demand and prices in the economy.

Channels or specific transmission mechanisms of monetary policy in literature and economic practice revealed the following: interest rate channel, credit channel, exchange rate channel, wealth and balance sheet channel, inflation expectations channel.

The consistency with that Central Bank aims to achieve the price stability objective (as a prerequisite for financial stability) significantly affects economic agents' expectations regarding inflation. Therefore it is necessary that the actions and measures taken by the Central Bank increase their transparency and their credibility. Communication work with business, academia and the media has enough reserves to intensify, especially in explaining the Central Bank objectives, the instruments and the transmission mechanisms of monetary policy and the impact on financial stability, especially in this period in which economic and financial crisis's effects require drastic austerity measures in all components of the economic and social life.

However, it is necessary to emphasize that beyond the influence of monetary policy, the dynamics of aggregate demand and prices is also determined by the conduct of other components of the set of macroeconomic policies, namely fiscal policy and income policy, which in turn should stabilize the fluctuations of the economic cycle and contribute to the strengthening of the financial stability.

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The Utility of Online Business Models from the Romanian Ecotourism in the Context of Present-Day Crisis

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Abstract

Computer usage is continuously and rapidly expanding, especially in the urban environment, and Romanian ecotourism is progressively relying on promotion via online advertising.[1] Computer networks have extended, thus fostering the creation of websites in which every entrepreneur is present without necessarily having a personal site, but simply by registering in a database that is a site which allows the consumer a clearer visualization of the offer on the market in a shorter time, without navigating on the Internet long. Therefore, once the interest in Internet services has increased, the computer has started to play an important part in commerce and in our daily lives, but the current economic situation is slowing the pace of expansion in the number of Internet users.

Key words: model, business, online, crisis, Romanian

J.E.L. classification: M21, R11, R15

1. Introduction

The utility of business models is dictated by a series of characteristics that are typical of public services: users consider them a service necessity, a higher service feasibility, the capacity to use them at maximum being limited. This paper analyzes utility online business models and their future role in society and implicitly for businesspeople.

Each business model has certain factors that influence the business according to the nature of the business. In order to understand

the nature of the ecotourist online business model it is essential to integrate the business in a general business context. An online business model is in fact a method to make money. Each online business model has its particularity, which makes it different from the other models and through which it creates its own value.

In every industry, be it tourism or of another nature, the methods to do business can vary greatly, the limits being imposed by technological factors, allocated budgets, competition and, most importantly, by consumer demand (expectations, preferences etc.). [2]

Throughout the years, various attempts to classify business models put into practice have been made, especially as far as the Internet is concerned.

2. Theoretical Foundations

At a global level, during the 1990s online commerce drew great attention to business models. In the case of Romania the situation is different; Romanians started to use the Internet massively after 2000, and the confidence in online commerce came later, increasing exponentially every year.

Hence, the Internet opened the door to new opportunities for online transactions, but a lot of businesspeople considered that they could not make profit out of online business, that it was only brand promotion and that they made themselves known on the market, continuing to focus on traditional business. [4]

E-business refers to the electronic means that a company uses to conduct business, unlike e-commerce, which defines the means

through which the company website offers the possibility to purchase or sell products online.[5] E-purchasing presupposes the acquisition of goods, services or information through electronic media (most often the Internet). By moving acquisitions online, companies have already saved millions of dollars. E-marketing describes the process through which companies inform their customers, promote and sell products and services with the help of the Internet. There are various terms that begin with an “e”: e-finance, e-learning, e-service etc. However, we may notice that the moment the great majority of businesses is conducted in an electronic environment, this “e” will be given up (Kotler and Keller 2006, 493). Informatic solutions for e-business allow the integration of company internal and external processes. Electronic businesses can be directed using technologies such as: the World Wide Web, the Internet, the intranet, the extranet, or combinations of these.

3. Online Customer Behaviour

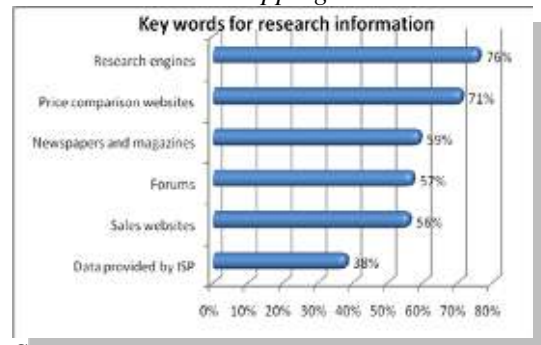
The European Interactive Advertising Association (EIAA) has ordered a survey to Synovate and SPA on a group of 7000 interviewees who will participate in telephone queries in European countries, including Romania.

The main idea that results from the study and which is astonishing from the perspective of the impact of the Internet nowadays is that *40 percent of the buyers modify their acquisition decision as a result of the research performed on the Internet*. The user is guided in his/her research on the Internet by a simple principle: Search, Compare, Purchase. The person who wishes to purchase the brand (most probably as a result of having been influenced by one form of advertising or another) has his/her enthusiasm diminished after searching the Internet, as s/he discovers here the experiences of other users with the respective product or with other products of higher quality. The Italians are the least impressionable, whereas the Romanians are the most so.

What is interesting is how acquisition is performed: search engines are the first option of the online buyer, followed by viral publicity of the type: the others' experiences,

price comparison websites, known websites etc.

Figure 1: Decision factors for online shopping



Source:

<http://blog.boom.ro/blog/29.10.2010.comportamentul-consumatorului-online.html/factori-decizie-cumparam-online/>

80 percent are online buyers (penetration is 84 percent in the countries in the study) and they ensure a European market of €1,32 billion. Tourism is a leader and it ensures through both tickets and holiday destinations the top of online sales.

In Romania there are six online business models that are used and through which profit can be achieved: blogs, affiliation, information, online shops, programs and software, as well as online services.

The action plans for the six models have the following points in common:

1. market research – in short, the identification of problems that the user of Internet services is faced with (the more stringent the more profitable financially) in order to know which segment to address and with what proposals

2. the search of key words that describe the problem – these form a core around which promotion campaigns will develop (see Google Keyword Tool, Market Samurai, social media)[6]

3. the creation of promotion platforms (WordPress, Joomla, Blogger, Facebook, Squidoo, YouTube, Stumbleupon etc.)

4. establishing the means to make profit (direct sale, affiliation, Adsense, CPA, articles, announcements, lists, association, consultancy etc.)

5. the measurement of results (Google Analytics/Sitemeter/aWeber etc.) and what changes must be made in case of failure to achieve the objective – profit)

6. the choice of a solution to the problem. I do not think that novelty can be brought in the field; competition will be studied and the saleable services or products will be chosen, along with the information that remedies the problem. A few corrections to what the competition does can be brought (improvement of the format, of the appearance, of the manner of presentation etc.).

4. The Role of Information in Business Models

During the past few years, major changes have taken place in the business world developed by the majority of companies and corporations worldwide. Increased needs to ensure flexibility and rapid response to actual market conditions, exacerbated local or global competition, as well as the ongoing re-technologization process to the purpose of increasing enterprise efficiency have determined modern companies to possess the characteristics that we have enumerated above. Pressure of any nature has determined enterprises to use information technology in such a way as to transform and modernize the means to organize and do business.[7]

Information and communication technologies are used at both individual and company levels with increasing flexibility, using intensively a huge amount of information, with direct impact on all human activity. It is a new stage, of the "globally computerized" society – whose main characteristics are digitization and interconnectivity.

The next developmental stage of human society is constituted by the "society of knowledge or the society based on knowledge", whose main operation tool is the piece of knowledge manipulated with the help of information and communication technologies.

The society based on knowledge presupposes a revolutionization of economy in which innovation is a key factor. Such a society has at its foundation knowledge management, the production of new technological knowledge and the

dissemination of knowledge through progressively effective electronic means (the Internet, cards, electronic books, e-learning etc.).

This evolution of human society is based upon the continuation of the race of informatization, under the circumstances in which computers will be ever-present in society. In this context, economy will rely on information and communication evermore, which will presuppose the use of information as a factor of production, acknowledgement and expansion of virtual goods and services.

A system based on knowledge is an information system that solves problems from the real world, using knowledge about the field of application and the tasks that will be performed within it.

The conception of a system of knowledge bases entails a previous stage of knowledge or documentation transfer between human experts, and an information tool, so that in the end a knowledge basis should be available for consultation by any user as an expert.

The knowledge model describes the behavior and type of knowledge that are necessary to the system to solve problems, independent from the implementation constraints.

In the present stage information systems become capable of moulding, so that they do not only render the model of external reality, but also transfigure a new virtual reality which they project and transmit to the information user. In order to design and exploit modern information systems, it is mandatory to know the prospects of the usage of information systems globally and to formulate an adequate information politics based on these, a politics that should be subsequently applied consistently.

No approach or model, no matter how sophisticated, can solve a real problem single-handedly, combinations of various reasonings being necessary (since the one based on a model and the heuristic ones appear as complementary, a cooperation between them seems interesting).

To conclude, we will be able to call the next generation, subsequent to the globally computerized society, that of intelligence and knowledge, which will place at the core of attention the exploitation of information.

5. Decision-making Principles

The factors that influence decision-making are knowledge (information) and consensus. As far as knowledge is concerned, the fundamental difficulty comes from uncertainty. No leader can assert that s/he has all the information that is necessary for decision-making. Knowledge is incomplete and uncertain. Under these circumstances, the one who makes the decision needs to find out the answer to two questions simultaneously: through what methods can one decide something under the circumstances of uncertainty? and how can one cope with the negative consequences of uncertainty? Subjective probabilities are usually used, these signifying the degree of certainty/uncertainty regarding the knowledge that one has, the chance attributed to knowledge of being an accurate depiction of reality. Their use has positive effects as long as alternative solutions are nevertheless sought and compared.

In direct connection with the problem of knowledge that is necessary for decision-making, there is the problem of consensus. Groups from any organization seem to be characterized, in their initial state and in relation with a given decision, especially by disagreement. The achievement of agreement can be done either through democratic decision-making, or through the acceptance of the delegation of authority towards a particular individual. Difficulties arise from at least two directions: on the one hand, the paradox of participation is at work; on the other hand, to the purpose of achieving a flow that should be headed towards collective decision-making, a "hierarchy" of individual actions in relation to the goal at hand and to existent resources needs to be drawn. [8]

A frequently applied but often flawed strategy is the one in which managers adopt the first solution that they manage to come up with, without considering any alternatives or the drawbacks of the solution that they have chosen. They proceed in this way usually because it is a simplified strategy and because they save time and avoid the stress that is intrinsic to decision-making.

However, this comfortable strategy has a backlash: most of the times managers face the repercussions of such rushed, thoughtless

decisions without being able to solve them as quickly as they made the wrong decision.[9]

Proper preparation for decision-making entails primarily the appraisal of all the alternatives. This includes reviewing the solutions that were formulated at the previous stage (the prognosis), and their completion with other versions that are being devised on the way. In other words, the decision-making stage begins with an exercise of inventiveness and imagination in which every new idea is welcome.

6. Conclusions

Nevertheless, during the past two years, the Romanians have rapidly adapted to the Internet age, and a discussion of business models is impossible without taking into consideration the Internet.

In order to understand the nature of the business model that regards Romanian ecotourism, it is useful to integrate it in the context of business in general.

An image of the future concerning business based on online business models has started to be drawn in general lines. Demand is continuously increasing from the part of both the users and the businesspeople.

Users have come to depend on online services, ranging from payment of bills to shopping, holiday scheduling, socialization and information acquisition. These services save time and money.

In Romania online businesses are relatively new, that is why I consider that it is useful to put at the reader's disposal definitions for technical terms that will be used, for reference. Thus, the reader will have two separate sets of definitions available for consultation, one with web-related terms, and the other with concepts regarding ecotourism.

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Risk Management – A General Approach

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Abstract

Identifying, assessment and prioritization of risks, followed by economical implementation of resources in order to minimize, monitor and control the probability or impact or unfortunate events or maximizing the opportunities is what we call risk management. Through different methods, definitions and aims are trying to settle the nature of the risk: financial, security, industrial, economic, safety, project management, etc. The strategies adopted to manage risks are applied with the purpose of transferring the risk, avoiding it, reducing the negative effects, accepting the consequences of a certain risk. Its purpose is to generate ideas and promote good practice for those involved in the business of managing risk.

Key words: risk management, economic environment, monitoring, market factors, analysis.

J.E.L. classification: D81, G32

1. Introduction

Economic risk can be defined through the action method in a business environment where less controlled or uncontrolled factors may occur at random and negatively influence the activity results an economic agent. The risk must be evaluated and accepted only within certain limits. Business risk should be considered as a ubiquitous

factor in the market economy conditions, as a natural selection factor which requires it increasingly obvious as a function of managerial competence.

2. Risk evolution

The risk is in constant change, it evolves in complexity, in addition to traditional exposure to hazard, adding operational risk, financial, strategic, market, country, legal, human, fraud, risk and complex nature can be attributed to several factors in the specialty literature are grouped and internal and external factors.

External factors are:

- Economic: changes in interest rates, inflation, insurance, taxes, sudden economic changes.
- Policy: ambiguous and changing legislation, certain protectionist policies, regulations and compliance, sectoral policy priorities.
- Competitive: changes in the market pressures of large companies, types and services, fashion trends, use of media, applications and customer expectations, contractual claims.

Internal factors can be considered:

- Social: ethics and beliefs of employees, individual culture of the people involved concerning the risk, the pressure exerted by the employees through the remuneration or the service of improper activities, frequent changes of staff, relationships between employees.

- Economic: changes in computer processing, material substitution, better security of new products and technologies, better operating system in terms of operating procedures and operating methods, the need to reduce losses, the expectations of investors and shareholders, the strategy adopted.

- Physical: the destruction of buildings, fraud made by the acts or intentions of employees or customers.

Sources of business risk carried out in Romania would be located, in the opinion of experts consulted, mainly in the strategic risks, keeping the world economy characteristic profile, even if the ratio is in some way different (49% risk of a strategic nature in the Romanian economy compared to 58% risk of a strategic nature for the considered European large companies).

Regarding the impact of an operational risk, Romanian companies are exposed to these risks in a proportion estimated at approx. 29%, comparable to that estimated for large European companies (31%) the significant difference was registered by the estimations of financial risk, in relation to which Romanian companies are exposed at an estimated rate of 19%, compared to only 6% estimated exposure for the large European companies. If the large European companies appear not to be significantly affected by hazard, for Romanian companies, it represents a real threat even if is not estimated a dramatic impact of hazard (estimate 3.2%).

In this context, more and more companies use risk management. Risk management is a concern not only of the modern world. He emerged from the establishment of human communities, manifested in various forms of conservation or confrontation, and developed gradually to risk deliberate action treatment, to prevent attacks or amendment of vulnerabilities.

While the concept of acceptance (tolerance) of risk belongs to Greek and Arabic civilizations, risk monitoring concept is relatively new, being outlined only between 50's to '60s.

Risk management has become an intense research topic the, based on three major conclusions since 1994:

- similar to chance, an unknown activity involves a risk;

- the association between risk and hazard is not always particularly accurate;
- the interest, collusion or emergency can not be dissociated from risk, even if the action initiated by them was a success.

Business risk management is to confer, first of all, protection of your employees, customers, your investment, as well as adapting to environment where you perform by assimilating the information that can help your business plan.

In business, standard risk management is a policy or program that is administered to prevent all kinds of problems caused by natural degree of vulnerability to risk, which may occur even due to uncertainty of the entrepreneurs.

The purpose of risk management in an organization is to help understand the risks to which is exposed an organization so that it can be managed. The main advantage of a risk management program is economic efficiency, because managers are aware of the risks affecting the organization and manage them properly, so they do not occur.

Risk management is a process of identification, analysis and response to potential risks of an organization, an information system or project. For example, when the focus is on information security, security risk management occurs.

3. Risk management principles

International Organization for Standardization has identified the following principles of "risk management" (ISO / DIS 31000):

- Risk management can be value measured;
- Risk management is an integral part of organizational process;
- Risk management is an integral part of decision-making process;
- Risk management explains Uncertainty;
- Risk management should be systematic and well structured;
- Risk management must be based on the highest quality information;
- Risk management must be properly represented;
- Risk management must take into account the influence of human factor;

- Risk management must be transparent and comprehensive;
- Risk management must be dynamic, iterative and responsible to change;
- Risk management must be able to allow the continue development of the organization.

4. Methods of risk reduction

„Risk Reduction” can be achieved, since the beginning of activity through organizational function of management, adopting measures to:

- Programming activities (with network graphs that allow limiting the risk since the planning phase of work organization);
- Continuous training of staff (this positively influences the productivity and quality of work, helps to reduce the probability of incidents and therefore reduce operational risks);
- Redesigning the control system periodically (depending on the outcomes of periodic evaluations of the organization's activity, the risks can be diminished through a judicious redesign of the control system).

“Risk-sharing” is an important decision in an efficient risk management, based on the axiom as the risk allocation must be performed by organizational segment which may best manage it.

To implement appropriate risk management should be considered:

- Monitoring the ways optimal to control all aspects of risk situations, especially in commercial transactions.
- Management strategies to minimize the intensity and frequency of risks.
- Hazard identification and vulnerability to risks that may interfere with activities and taking measures to reduce the intensity of their business.

Risk management is an element of internal control system by which the significant risks are discovered, the ultimate goal being to maintain these risks at an acceptable level.

The main objectives of risk management are:

- to maintain the threats of acceptable limits;
- to take appropriate decisions to exploit opportunities;

- contribute to improving overall performance.

Risk management is an on-going process and cyclical based on continuous monitoring and control activities, which includes:

- setting appropriate objectives hierarchical levels;
- identify risks that may affect achievement of the objectives, respect for rules and regulations, confidence in financial information, protect property, prevent and detect fraud (for this can be done “list of possible risks”, internal and external, set in the session devoted to analysis risk based on information already known and presumed the possible risks).

During these sessions is very useful the experience of the employees, that may identify risks that managers have not noticed. External risks may originate in various legislative modifications at the macroeconomic level or may occur as a result of promotion of new technologies.

5. Risk management solutions

To identify potential risk is very useful, and even practiced by the companies through participation of firms’ representatives to scientific communications and conferences or a series of thematic or professional meetings;

- defining risk categories (external, operational, concerning change), and the inherent risk, residual risk, appetite for risk.

Exhaustive analysis of the risk, which involves identifying economic, social and political effects that they might have on the organization and establish weaknesses and strengths of the company in the new context, as well as opportunities and threats that will affect the activity of the organization . This analysis is based on the use of econometric methods known, adapted to organisation's own data, such as “Monte Carlo method”, “decision tree method” or “method of determining the expected value”.

- Defining "the frame (field) of action of risk" and identify "risk agenda";
- Choosing the "risk response" (embodied in scenarios and concrete measures to "reduce", "eliminate" or "distribution" of risk.

An organization that turns out to be a great adversity towards risk analysis or a superficial and formal treatment of the theme will have few chances to resist on the economic market).

- evaluating the probability that the risk to materialize and the size of its impact;
- monitoring and risk assessment and the adequacy of internal controls.

In other words generic stages of risk management are:

- Establish the context: determining strategic context, organizational and risk management and determine the structure analysis and the criteria upon which risks will be assessed, identifying the affected parties/ interested in and defining policies of communication and consultation;
- Risk identification: identify, as a basis for further analysis of what might happen, why and how, including the dangers and consequences associated;
- risk analysis in terms of probability and severity, the possibilities and effect of control measures to the severity of consequences, probability of occurrence and severity can be combined to estimate the level of risk;
- assessing and ranking risks: comparing the estimated risk levels with predetermined criteria, the risks can be ranked to identify priorities;
- risks identified as having low priority can be accepted without being treated, being only subject to monitoring and review;
- Risk treatment: development and implementation of a management plan, which should include considerations on the allocation of financial and other resources, such as deadlines for action;
- Communication and consultation: consultation and communication with affected parties / interested in, internal and external, in each stage of risk management;
- monitoring and reviewing risks and performance evaluation of risk management system and changes that might affect it.

6. Conclusions

Lack of a risk management can lead to financial wastage, such as loss of profit or generating other nonsense issues, situations that may arise as a result of implementation of safety and protection inadequate measures. For example, implementation of an inadequate risk management reduces chances concerning access to contract a bank loan in the future, thereby reducing the institution's trust towards capital management skills, and thus of your business.

Although the current risk management procedures may vary from a small company to a large one, problems that arise because of an inefficient management could be the same.

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The Role of the Conditional Structures in Business Negotiations

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Abstract

The present paper attempts to demonstrate that negotiation skills represent key elements for the economic domain, nowadays, when the global recession has affected most of the countries around the world. Negotiation dialogues are very important as the two parties try to obtain the best results out of their own resources, with the minimum costs. Conditional structures are necessary for the negotiation replies, which refer to the quantity of goods, to the prices, to the discounts, to the delivery of the merchandise or to the means of payment. If-statements embrace various forms and their position in the context, the order in which the condition and the concession are placed or the addition of other supplementary words/sentences to the conditional structures convey different meanings.

Key words:business, negotiation, condition, concession, structure;

J.E.L. classification:F00

1. Introduction

The actual situation of the global economy and, in particular, the crisis the world has passed through, has led to many changes among the business people and even among the business strategies they use. These days, negotiations are necessary as they usually precede oral or written business agreements, which may be important for a company to survive in the market. Such dialogues stimulate the bargainers place demands in order to obtain mutually beneficial results and simultaneously preserve a long-term cooperation between them.

2. Tailoring the If-Clause to the Business Discussion

The competitors try to be formal, polite and direct, but at the same time creative so as to be as convincing as possible. This is why, the linguistic structures play a significant role as they contribute to the production of a message in which various elements may be accentuated or attenuated, deleted or added and the attitude to be different. Therefore, asking questions, stating clearly the position, using exclamatory clauses, making the structure persuasive or putting conditions are constant preoccupations of the message issuers and the linguistic resources are continuously adapted to the new negotiation circumstances.

Conditional structures represent linguistic resources in a business negotiation as they convey the condition which must be fulfilled versus the acknowledgement of the opponent's viewpoint. They are employed in various stages of the conversation such as the exploration of the opening positions, the exchange of offers and concessions, the verification of the understanding or the closure of the deal. The purchasing/selling negotiations, which are the commonest in the economic realm, make use of such clauses, while they debate around the quantity, the price, the discount, the delivery terms or the means of payment.

There are numerous ways of expressing the significances that get expressed in English conditional sentences. Various factors such as the conditional semantics, the way in which the *if*-statement and the main clause are placed, the insertion of the consequent in an interrogative structure or the insertion of the conditional sentence in the whole dialogue, the type of the conditional sentence, the temporal settings including tense and aspect and the

hypothetical adjuncts may change the meaning of the discussion session.

Eve Sweetser, in "From Etymology to Pragmatics" (1) has classified conditional meanings according to three criteria, the content, the nature of knowledge and its connection with the truth, justification or belief, and the type of speech act. Content-based conditionals are understood by relating the content of the two clauses to each other. A typical way in which content conditionals can be understood is for the *if*-clause to refer to a situation which causes or automatically results in the state of affairs signaled by the main clause as in the example:

"If you order 2240 cases, we'll offer 20% discount."

Epistemic conditionals are understood as expressions of the reasoning process. If the state of affairs represented by the *if*- clause turns out to be true, then the message receiver is licensed to believe what he/she is told in the *if*-clause as we can see in the sentence "If we order 2240 cases, this means you deliver before Christmas rush."

Speech act conditionals are understood as pre-posing to a speech act or *if*-clauses that identify the situation which got the speaker to provide the speech act. Thus, we can exemplify by "To show our goodwill, if you like, you could pay by monthly installments."

The position of various conditional sentences in a negotiation can indicate a specific semantic shade, as well. The condition usually follows the concession. By placing the concessive clause at the end of the sentence, the speaker is eager to state his/her proposal and he/she makes the hearer admit that particular argument easily as in

"If you want to make a counter-offer, it must be better than ours."

If-clauses are used many times during the stages of the negotiation, with different significances. For instance, at the beginning of the negotiation, during the presentation of the proposals, the conditional structure is more the equivalent of an imperative clause and when the participants exchange concessions, the conditional structure fulfills its real role and reveals the subordinating nature of its clauses. In order to illustrate this viewpoint, let us consider the following examples:

"How would you feel if we set up a regular ordering policy – a fixed amount per month, for example?"(2)

"We could only accept this if you offer a 2% discount."

The insertion of the concession into an interrogative structure not only increases the uncertainty of the speaker with reference to his/her opponent's perspective, but also stimulates him/her. We can illustrate this through

"If we can help with careful planning, what's your best offer for each delivery of 500 parts?"

An *if* clause usually speaks about more or less variable events. It often refers to a condition, namely something which must happen first, so that something else can occur. The verbs used in the conditional structure may influence the whole meaning of the negotiation dialogue as they can add supplementary meanings to the negotiation.

The open hypothetical conditional statement is the commonest in negotiations as it strictly refers to the object of that meeting. It indicates a possible situation, but which may become true and which is desired by the speaker, if a condition is fulfilled. Moreover, the request made through such a structure is polite and incentive enough to be accepted: "If we said we were prepared to deliver in March would you make a firm order?"(3)

Present-present conditional form means a situation which refers to a general rule, mutually accepted in the business world, when discussing the terms of an agreement. For instance: "If we pay at 30 days rather than 60, surely there must be room for maneuver there."

The future tense in the concession indicates something the two parties already knew and agreed on in the past to happen in the future. The conditional structure is only used to officially accept the situation. Moreover, the request is direct and neutral: "We will reduce the price by 15% if you give us a firm order in advance."

Present perfect, instead of simple present is particularly used in the *if*-clause in case of very polite requests. This is to put an extra focus on the completion of an action: "I'll do that as soon as I have had time to talk to Production and Logistics."

Several linguistic forms such as "a little" or "any" may add other auxiliary meanings to the conditional sentences. The adjectival form "a little" indicates a positive interest while "any," in the relevant meaning, is generally welcome only in sentences expressing a negative interest. Let us examine the following examples:

"If we agree *a little* to create more jobs we might think about a productivity deal."

"If you find *any* money, you'll be prepared to create a subsidiary in your country."

The "will"-*"will"* form of a conditional sentence is frequently dedicated to carefully negotiated offers. The explanation of these forms is general and the negotiation aspect of the interpretation in case of these sentences is merely the sentences' ability to express both participants' interests, as in the following structure: "If we will give you 90 days' credit instead of 60 will you give us the interest you would have paid?"

The presence of another modal verb other than "will" in the conditional clause can bring extra meanings such as future possibilities, permission, advice or, as in the next example, the facility or potential for something: "If we *can* help from that point of view, what's your best offer for each delivery of 500 parts?"

The subordinating conjunction "if" is usually used in a conditional structure as it suggests the neutral nature of the relationship between the independent clause and the dependent *if* -statement and, consequently, the formal relationships between the negotiation partners. But, sometimes, other words are employed in order to highlight various meanings. Therefore "suppose" or "supposing" are used in place of "if" to emphasize the logical thinking, "unless" indicates that the accent falls more on an order than on a restriction, "on condition that" can be used instead of "if" to say that a particular condition, mentioned at the moment of that discussion, must be met in order for something to happen, "provided that" can be used instead of "if" to say that a particular condition, which is already known, must be fulfilled so as something to occur, "as long as" and "as far as" can be used instead of "if" to say that a particular condition is already met in order for

something to happen in the future. Let us consider the following examples:

"*Suppose* that we were to order in large quantities, would you give us a quantity discount?"

"*Unless* you can improve your packing, we won't be able to avoid returning goods regularly, which is waste of time and money."

"*On condition that* we receive a firm order by fax or e-mail we could certainly deliver within two weeks."

"There is no problem *as far as* delivery is concerned – we are 100% within our delivery forecast."

There are situations when no conjunction is used, but the conditional meaning is preserved: "I can cut prices slightly *but* do you think you can beat our rival's deadlines?"

Sometimes, other words such as "well," "now" or "then" may be introduced into a conditional structure. For example, the result clause might be preceded by "then" only when the *if*-clause comes first, followed by the continuous aspect. Thus, an example like "If you accepted our order, *then* we'd be willing to cover insurance as well" indicates a correlative phrasing.

3. Conclusion

To sum up the whole, we should say that each *if*-clause and each component of a conditional structure could have its grammatical independency, but their truth simultaneously is subordinated to the surrounding context. Therefore, the whole meaning of a conditional sentence depends upon the truth values of its elements and the significance of a negotiation dialogue represents the sum of meanings created by the individual structures and, in particular, by the conditional sentences.

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The Commercial Influence of Quality

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Abstract

Quality, long time considered like a mean, especially an industrial one, changed nowadays its size and become a larger concept, named "the total quality". Answering to the customer requirements it involve now relevant factors linked to human resources, organization, marketing etc.

The total quality must be incorporated into a strategic context. More and more researchers and praticiens give the quality a special place in the strategically decisions of a firm, and must be taken into account two levels: one objective, intrinsic and another, perceived by the client. In practice, paradoxically, the objective quality is often the most difficult to be appreciated by the customer and we can see that an industrial qualitative service could not be appreciated in the absence of a global quality of the performance. Marketing offer many examples to confirm that point of vue.

It is obviously that the quality of a product influences the demand. A disappointed customer doesn't make a good publicity and that means a diminution of sales.

Key words: quality, commercial influence, competition, marketing.

J.E.L. classification: M19, M21, M31

1. Introduction

During a long time, quality was considered "functional", this idea is no more present and it becomes very important to

underline the key points where quality could be sources of profit.

It is obviously that the quality of a product influences the demand. A disappointed customer doesn't make a good publicity and that means a diminution of sales. In the meantime is very difficult to appreciate that influence, otherwise, very important to know.

It is also necessary to underline that the quality has a great influence on the demand. A good level of quality will increase the orders and the reverse.

A high level price will reduce orders and if a product registers a diminution of sales due to a poor quality, in order to restore the sales volume we must reduce the price.

2. Content

The role of marketing is primary in the field of quality.

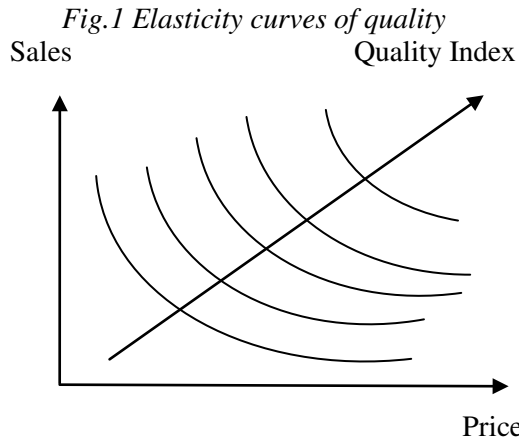
First, because in "upstream" it means the customer needs research and second because it define the tasks (handbook).

A badly defined tasks handbook will generate important costs (customer insatisfaction, errors etc.).

And the most important is that the role of marketing is to present the quality to the different customers on the market.

The level of satisfaction of the customer could be revealed by questionnaires that give information's about the brand of the firm, the level of the maintenance costs to the customer fiability, performance etc.

The relationship between quality / price / demand (request) could be illustrated by a series of curves:



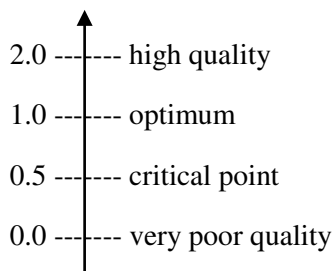
Source: Lyonnet, P., *Les outils de la Qualité Totale*, 1995

These trends allow appreciating the quality of a certain product. We have to note that for certain products the price is imperative and for others the quality. Thus, we are discussing about demands:

- Inelastic related to price;
- Inelastic related to quality.

Quality index

Due to the after-sale studies or to the customer investigation, we can note certain parameters considered very important for the product and using a scale, conventional agreed:



Like global quality index we will tend to be much dosed to 1. It is more interesting to note different parameters (like maintainability, aesthetics etc.) and to appreciate a global index in order to reveal the weaknesses.

With the purpose to obtain this index, P: Lyonnet proposed a grid, exemplified below:

Parameters	Estimated index	Weighting (%)	Global index
Fiability	1.1	100	1.08
Maintainability	0.8	80	
Performance	1.2	100	
Maintenance cost	0.9	90	
Aesthetics	1.5	60	

The benefits of Total quality for the customer

Total Quality is measured by the satisfaction of the needs or services appreciated by the client or user.

Behind this concept we can find an assembly of key points to be managed, like:

- The product or service fiability;
- Characteristics and performances;
- Durability;
- Maintainability;
- Security;
- Environment protection ability;
- The cost of possession, price;
- Just in time intervention.

But if we want to enlarge the concept of Total Quality we have to add the ability to satisfy also auctioneers and employees.

Better satisfy the client, at the minimum price

This philosophy is recommended to be adopted both by consumers, and firm and its environment, and it must concern:

- All functions of the firm;
- All activities;
- All contributors;
- All interval relationship of the firm;
- All the relationship with other firms;
- All the product life cycle.

As the commercial changes have nowadays a global size, the users are mostly thinking about quality in quantitative terms.

Everyone, inside the firm is both customer or provider and engage right and duties. This relationship customer/provider is part of the total quality. The present trends met the individuals face to face with their professional activities and issue certain characteristics like the research of satisfaction, as shown by face a revelation

inside the firm activity, leading to the mentality transformation.

The ideas of the Total Quality

Having in view the quality is not supported, is not an observation but a construction all over the life cycle of the product. This idea could be resumed as follows:

Controlled Quality	Total Quality
Preoccupation just for products	Area of action enlarged to all production activities
Control a posteriori	Control a priori
Focus on effects	Identification and focus on causes
Deficiency became "normally"	Non quality is ejected
- habits	- excellence
- tolerance	- ambition
- norms	- voluntarism
Control assigned to an individual or a service	Control is the job of everybody at its own level
Customer is a buyer	Customer is an user
The price of over costs is covered in order to obtain Quality	Costs are managed and evaluation is very important
Distrust	Trust
Internal External	Responsibility Fame
Quality is expensive	Quality pay
Quality is supported	Quality is involved

The main idea is to make "good" for the first time that means "good thinking to better action".

More time is given to study, well defining the needs (functional review) for better building, better understanding. It means the minimize of risks starting with studies (preliminary review of risks, fault tree) for better managing the risks.

We have to learn from worse experiences (deficiencies, breakdowns), in order to better fiability, maintenance, creation of database. A breakdown, a deficiency must be used. And that is the quality marketing.

We have to learn from deficiencies, as in the following image:

Objective (Conception in terms of Costs, quality, Fiability) → X → Conception
Production → Measurement (of Costs, Deficiencies, Breakdowns) Corrections → X

It must be identified the sources of non quality and to hierarchize them. Starting from this study we could act to prevent.

From the marketing point of view a quality diagnosis must be done, in order to establish an appreciation of the quality key points, as:

- costs of bad working: to locate quality costs in the different departments of the firm;
- internal deficiencies: rejects, retouches etc.;
- rejects detection: control costs a posteriori, trials;
- external rejects: warranty costs, after sale service, penalties for delays;
- global cost of non quality;
- delay technique – the measure of non evaluation linked to the new technology which could cause losses of potential;
- the degree of customer satisfaction: due to questionnaires it is possible to gain an idea of the firm brand image, to understand the exploitation costs appreciation, fiability, maintenance, performance.

The objectives of the strategic quality

The concept of quality must be enlarged than usually. It is striking to see the very little space given to that issue in the marketing studies while purchase and mainly the customer fidelity depend essentially on this factor. It is totally un useful to defect the customer requirements if we don't answer from the qualitative point of view better than competitors. That's why four objectives could be assigned to the strategic quality:

The product quality

This stance of quality should be extended at two levels: one of the intrinsic or objective qualities and another of the quality perceived by the client.

From that point of view quality became very popular by the quest of "zero deficiency". This quality has a price but could also generate measurable savings and positioning (more difficult to be measured). Inside a very competitive environment, the relative cost of quality tends to diminish and it expresses the report between the quality improvement price and the savings obtained.

That's why the quality research should base on a very precise system that is the Total Quality Control System because this approaches very systematic guarantees the conformity and homogeneity of the whole process.

And finally, quality must be designed like a whole all over the product circuit. That means it constitute an action where are associated providers, distributors and customers, a weakness of any of them causing the cancelation of the other partners.

In practice, paradoxically, the objective quality is very often the most difficult to be appreciated by the customer point of view. This observation bring the marketing specialists to study the relation quality/price and to note that often, in the absence of precise means, the buyer identify the quality scale trough the price quality. Consequently, an increasement of quality is not perceived by the customer and could not generate a better cost.

The quality of "total product"

The concept of "total product" was developed by T. Levitt and conduct to distinguish four dimensions in the product definition:

- The generic product: the materiel product and its commercial environment;
- The expected product: that involve the commercial services (for example, after sale service, an adapted horraire etc.);
- The enlarged product – that involve material components or new services like an extension of the warrantee;
- The potential product – that translate the existence of something "added" and unexpected.

These four dimensions are not stable during the time. A factor related to the potential product could become a simple element of the expected product when is generalized to the competition and that means the necessity of a constant attention payed to this parameter of quality.

The value of the Levitt analysis consists in the observation of the fact that the customers develop their opinion concerning the global quality of the product starting from the enlarged and potential stage. And this reaction is quite logical thinking that the basics qualitative factors (generic and expected products) are identically for all competitors.

The firm's quality

From this point of view we pass from the place of product to the place of firm in the perception of the customer. This firm's quality doesn't address to single customers but to the whole firm's public.

Low prices could constitute criteria in the case of firms having a decisive cost advantage. High prices could often induce a quality image imposed in the lack of best criteria of selection.

The big majority of firms have to answer at a very mislead question: "in what consist the specificity of our firm?"

This specificity could be relived by an internal diagnosis to show a competitive advantage, perceived strong and objective by the customer.

And that could be achieved by developing investigation of customers in order to establish the real specificity perceived and develop consequently the firm's quality.

The branch quality

Every firm depends on an assembly of upstream providers and downstream clients.

That's why the branch quality will depend on reports more or less strong between different partners. They will base both on classical quality procedures (like the audit of providers, for example) and on more advanced cooperation forms, like consulting formula in order to help the partner to progress in quality.

3. Conclusions

The role of marketing is very important in the field of quality. From one side because of the customer needs research and from the other side because it is useful to define the tasks handbook.

A bad made handbook could generate big costs of non quality (customer dissatisfaction, errors repetition).

And the most important role is to know and to recognize the customer perception of the quality.

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Estimating Potential Output in Romania using a Structural VAR

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Abstract

This paper estimates the potential output in Romania using seven structural VAR models. During the period of economic boom the potential GDP growth in Romania was around 6.5 %. The severe economic crisis that started in the last quarter of 2008 generated a significant reduction of the potential output. The potential economic growth dropped at around -2.8 % during the steep contraction of the economy in 2009 and at 1 % in 2010, according to the model estimates. The economic crisis changed significantly the potential growth in Romania due to the structural changes that affected the country. Labor input as well as capital accumulation negatively affected the potential output during the crisis. As regarding the crisis effects on total factor productivity (TFP) in Romania, the connection is uncertain.

Key words: potential output, Structural VAR, crisis, structural break.

J.E.L classification: C32, E01, E29, E39, E66.

economy, being a key indicator for monetary policy analysis. The potential output is a theoretical concept and therefore can not be observed directly. Measuring the potential output is not an easy task, as economists have tried different statistical and mathematical methods in order to obtain reliable results. The calculation of the output gap depends on the model specification, the method of estimation and the time horizon. There are two basic approaches for estimating the potential output: 1) univariate methods 2) multivariate methods. The univariate methods for estimating potential output are the deterministic trend, Hodrick-Prescott (HP) filter, Baxter-King (BK) band pass filter and Christiano-Fitzgerald (CF) band pass filter. The multivariate methods for estimating potential output are Structural VAR (SVAR) with long-run restrictions, Production function (growth-accounting approach) and Dynamic Stochastic General Equilibrium (DSGE). In this paper I calculate the potential output in Romania using Structural vector autoregressions (SVARs) and I try to explain how the crisis that started in the second part of 2008 affected the potential GDP.

1. Introduction

Potential output is defined as the maximum level of durably sustainable production, without tensions in the economy, and more precisely without acceleration of inflation. The difference between the actual output and the potential output, called the output gap, provides information whether the economy is operating above or below a sustainable level. Using this information, policymakers are able to do fine-tuning operations in order to bring the actual economic growth as close as possible to its potential. Although the potential output is a supply-side indicator, the output gap indicates the inflationary pressures in the

2. SVAR with long-run restrictions

HP and band pass filters are statistical methods that do not incorporate economic theory. The use of a multivariate structural model could offer an improved image of the real economy and could provide better estimates of the potential output and the output gap. SVAR identified using the Blanchard-Quah (BQ) Decomposition is a widely-used structural method for the calculation of the potential output. De Serres, Guay and St-Amant (1995) use a SVAR with long-run restrictions in order to estimate the potential output in Mexico. As in the Mexican economy the oil sector is very important, they introduce the oil price in their

model in order to capture the world shocks on the raw materials market. They find that world oil shocks have an important contribution in influencing the potential output in Mexico. Claus (1999) implements the same multivariate method in order to calculate the potential output in New Zealand. Benk, Jakab and Vadas (2005) present different methods for revealing the potential growth in Hungary, including a Structural VAR approach. Magud and Medina (2011) estimate the potential output for the natural resource and the non-natural resource sectors in Chile using a SVAR with long-run restrictions. They find a structural break in 1998 due to the Asian crisis, which diminished the potential output in Chile to 3-4 % from 7 % in the previous period. SVAR identified using BQ Decomposition is used to obtain an estimate of the transitory and permanent components of GDP. This methodology has important advantages. The method incorporates economic theory, as it assumes that potential output is influenced by different structural shocks that could have transitory or permanent effects on output. Baxter and King (1995) consider HP and multivariate filters inaccurate at the beginning and at the end of the samples. Structural VAR models overcome the "end point problem", as they use a higher number of macroeconomic variables (Klaus, 1999). SVAR does not rely on statistical assumptions that are not clearly indicated by the economic theory (Mishkin, 2007). SVAR with long-run restrictions has several disadvantages. A limitation of this technique is that the number of distinct shocks is equal to the number of variables introduced (Blanchard and Quah, 1989; Enders, 2004). The correlation between the shocks and the macroeconomic variables must be explicitly indicated by the economic theory. The method also requires a larger database as compared to other methods. The potential output estimated using SVAR could be very close to the actual output if there is a weak correlation between the variables used and output (Gălăţescu, Rădulescu and Copaciu, 2007).

3. Data

SVAR literature indicates many macroeconomic variables that could be used in order to estimate the potential output and the output gap. The first indicator that should always be used is a variable for quantifying output evolution. This type of indicator could be real GDP growth or real GDP level. Other variables indicated by SVAR literature are CPI inflation, core inflation, unit labor cost, average real earnings, employment, unemployment, real exchange rate, capacity utilization, industrial production, oil price and monetary aggregates. BQ technique requires that at least one of the variables must be nonstationary, as stationary variables do not have a permanent component (Blanchard and Quah, 1989; Enders, 2004). The variables should be introduced in a stationary form in the model. The models implemented in this paper use quarterly data from 2001 Q1 to 2011 Q1 taken from Eurostat. The macroeconomic indicators are:

- gdp – real GDP percentage change as compared to the same period last year.
- ulc – unit labor cost percentage change.
- u – unemployment rate according to International Labor Bureau methodology.
- hipc – harmonized consumer price index
- core – harmonized consumer price, all items excluding energy and seasonal food.
- rer - Real Effective Exchange Rate (deflator: consumer price indices - 16 trading partners - Euro Area, 1999=100).

The variables gdp, ulc and u are seasonally adjusted. I used the Augmented Dickey-Fuller Test (ADF) in order to verify if there are unit roots. gdp and hipc are I(0) while the rest of the variables are I(1).

4. Structural breaks

"A structural break (change) is a sudden event that changes the structure of the econometric model" (Kapetanios and Tzavalis, 2004). The structural breaks could be determined by changes of monetary policy strategy, fiscal policy as well as the evolution of the international context. In 2005, the National Bank of Romania (NBR) adopted a new monetary policy strategy, inflation targeting, while the government introduced the unitary tax rate in the same year. In

September 2008, the collapse of the investment bank Lehman Brothers generated a global liquidity crisis that hit the emerging markets in Europe. Romania faced a severe recession, as the real GDP slumped by 7.1 % in 2009 and by 1.3 % in 2010. The global crisis as well as the macroeconomic imbalances accumulated in the pre-crisis period generated a severe adjustment of the Romanian economy. The domestic demand slumped due to the liquidity problems faced by households and companies, while the real estate market collapsed. The government adopted austerity measures in order to reduce the public deficit, which was well above the 3 % level established in the Maastricht Treaty. As for 2011, there are signs indicating a slight revival of the economy as the real GDP went up by 1.7 % year/year in the first quarter of the year mainly driven by the positive evolution of the export-oriented industry and the increase of net taxes. Therefore I consider that the economic crisis reduced the potential output in Romania due to the structural changes that affected the country. Gălăţescu, Rădulescu and Copaciu (2007) calculate the potential economic growth in Romania during 2000-2006. They find that the average potential economic growth was 3-4 % between 2000-2002 and around 6 % between 2002-2006, which indicates that the actual growth was above its potential during the economic boom. According to NBR Inflation Reports, the output gap was negative during the crisis, denoting that actual output was far below its potential during the period of turmoil. In the paper I consider only one structural break that occurred in the last quarter of 2008 due to the global liquidity crisis, although there could be more during 2001 Q1 – 2011 Q1. Chow test also indicates a structural break in Q4 2008 due to the global liquidity crisis that resulted in output losses and the hike of the unemployment rate. SVAR provides unreliable results of the potential output during the crisis period when the structural break is ignored. Therefore, I transform the time series as indicated by Fuentes, Gredig and Larraín (2007) and Magud and Medina (2011) to account for the structural break in the late of 2008. I divide the period in two separate sub-periods: 2001 Q1 – 2008 Q3 (pre-crisis period) and 2008 Q4 – 2011 Q1 (crisis period). I calculate the average

economic growths for the two periods. The average annualized growth is 6.3 % during the pre-crisis period and -2.9 % during the crisis. Then the variables are de-meanned in order to account for the structural break in the last quarter of 2008.

5. The model

SVAR with long-run restrictions can be written in a moving-average form as following:

$$\Delta x_t = A_0 \varepsilon_t + A_1 \varepsilon_{t-1} + \dots = \sum_{i=0}^{\infty} A_i \varepsilon_{t-i} = A(L) \varepsilon_t$$

$$x_t = [x \ y \ z]' \text{ and } \varepsilon_t = [\varepsilon_1 \ \varepsilon_2 \ \varepsilon_3]'$$

x_t represents the vector of macroeconomic variables introduced, while ε_t is the vector of structural shocks. In the equations above I assume that there are three macroeconomic variables, although there could be situations where there could be only two. In order to determine the evolution of the potential GDP in Romania, I use seven SVARs with the following variables: *[gdp ulc]*, *[gdp u hipc]*, *[gdp u ulc]*, *[gdp core]*, *[gdp hipc]*, *[gdp rer hipc]* and *[gdp rer core]*. The order of the variables introduced is very important, as in each equation there will be specific restrictions regarding the permanent and temporary effects of structural shocks.

6. Results

The average potential growth in each of the three periods is the average of the results provided by the seven different SVAR models. The results are provided in the table below.

Table no.1. Potential GDP evolutions
(average percentage growth)

2004 Q1 – 2008 Q3	6.57
2008 Q4 – 2009 Q4	-2.83
2010 Q1 – 2011 Q1	1.06

Source: E-views calculations

According to the results provided by the models, the registered economic growth was above its potential during the period of economic boom in Romania. Therefore, the

output gap was positive, the National Bank of Romania (NBR) adopting a prudent monetary policy in order to temperate the inflationary pressures. The results are similar to the ones obtained by Gălăţescu, Rădulescu and Copaciu (2007). The economic crisis that started in the last quarter of 2008, generated a slump of the potential GDP, according to the SVAR estimates. The immediate impact of the crisis on the potential growth was severe, as the potential growth was around -3 % during the period of deep recession. In 2010 although real GDP continued to drop, the rate of decrease diminished considerably, due to the better than forecasted evolution of the export-oriented industry. In conclusion the economic crisis changed significantly the potential growth in Romania due to the structural changes that affected the country. The reduction of the potential output could be the result of the changes in labor input, capital accumulation as well as the total factor productivity (TFP) according to the economic theory. The recession generated a hike of the unemployment rate. During the crisis, a great concern for policymakers is the high unemployment rate at young persons. This could have a negative impact on the future potential growth, as the persons that are not employed for a longer period loose their skills. A long and deep recession could discourage labor force participation (Estevão and Tsounta, 2010). In Romania the registered unemployment rate posted a downward trend after March 2010, reaching 4.8 % at end-June 2011, as many persons retired, emigrated, died or started agricultural activities, and therefore ceased to search for a job. Labor force participation is low as compared to the European Union average. Demographic changes can influence significantly the potential output (Estevão and Tsounta, 2010). The reduction of the total population as well as the migration of a part of the skilled labor force could affect potential output in the future. In conclusion, there is very difficult to determine the impact of the labor input on potential growth during the crisis as there are many factors that can be very difficult to evaluate. However, the changes of the labor market indicate that those had a significant impact in reducing the potential growth during the crisis and could have long-run effects on the output trend. In Romania, the tightened lending standards as

well as the increased risk aversion determined a reduction of investments. During the period of economic boom, many investments were directed towards the real estate market due to the high yields. The collapse of the real estate market in the second semester of 2008 nearly froze this sector, as households and companies faced liquidity constraints. According to recent research, a crisis that is generated by the collapse of the real estate market could generate significant output losses and could have long-lasting effects on the economy (IMF, 2011). The capacity utilization in the manufacturing industry dropped at 69.9 % in the second quarter of 2009 from 82.2 % in 2008 Q3 due to the contraction of the demand in foreign countries. In conclusion, the impact of the crisis on the capital accumulation was significant. As regarding the crisis effects on TFP in Romania, the connection is uncertain. Estevão and Tsounta (2010) consider in their model that TFP is the difference between output and capital stock, capital utilization and total labor hours adjusted by certain coefficients. Therefore, TFP is the part that explains output evolution that is not quantified by labor and capital. However, this assumption could be slack and can not explain in detail this phenomenon. A detailed survey regarding companies' investments in research and companies' innovations could have provided better results.

7. Conclusions

This paper estimates the potential output in Romania using seven structural VAR models. The use of multivariate structural models, like SVARs with long-run restrictions can provide better estimates of the potential output as compared to univariate filters. During the period of economic boom the potential GDP growth in Romania was around 6.5 %. The severe economic crisis that started in the last quarter of 2008, generate a significant reduction of the potential output. The potential economic growth dropped at around -2.8 % during the steep contraction of the economy in 2009 and at 1 % in 2010, according to the model estimates. The economic crisis changed significantly the potential growth in Romania due to the structural changes that affected the

country. Labor input as well as capital accumulation negatively affected the potential output during the crisis. As regarding the crisis effects on total factor productivity (TFP) in Romania, the connection is uncertain.

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Improving Human Resources Recruitment in Maritime Domain

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Abstract

In order to improve maritime human resources recruitment, most crewing and shipping companies implement an internal procedure of recruitment and management of ship's crew. Based on observations at several crewing companies, this paper presents an example of such procedure meant to ensure that qualified and competent personnel is recruited and all ships in the fleet have crew members understanding their roles, duties and responsibilities and capable of working effectively in teams.

Key words: recruitment, maritime transport, shipping, crewing, seafarer

J.E.L. classification: J21, J29, M54

1. Introduction

In the context of the complexity of the global labor market, recruitment of the best needed seafarers and cadets represent one of the most essential strategies for a maritime company to acquire and develop competitiveness.[1]

The traditional methods of recruitment and selection for the Merchant Navy are well known. A very common method was for an applicant to write to a shipping company and, if he had the right academic qualification, he was summoned to an interview at the company's office. The choice of whether the applicant should go into the deck, engine-room or catering department was usually left entirely to the applicant with absolutely no measurements of his aptitudes being taken.[2]

2. The process of recruitment in maritime transport

Today, many maritime companies perceive the recruitment process as one of the most important activities related to human resources management and devote a great deal of effort to improve the recruitment process. For example, one particular company, Irish Shipping Limited, uses a panel of sea staff and a full battery of properly designed test to select the right recruits. Selection may be done by a company's own staff or by an independent firm of psychological consultants. [2]

The process of recruitment and selection involves several steps to establish the need of recruitment, the analysis of the recruitment demand, defining the characteristics of the available position, intern recruitment, selection of the candidates, developing questionnaires, interviews, tests and taking the final decision. [3]

In present times, a shipowner has several means to recruit suitable seafarers for its vessels crews. The seafarers can be recruited directly by the company, or through a national organization, by a syndicate or by a crewing agency. The recruitment process is not similar worldwide. In some flag countries there are specific regulations for recruitment. In some countries the unions highly influences the recruitment process, while in others the union has only a formal signification. The shipping company and the human resources department of a shipping company are more influenced by these issues above than of the company's organizational structure. There are times when a decentralized system of management on board influences crew recruitment or the number of crew members needed on board, but all formalities are to be met by shore staff. The flag state has a regulatory role with economic implications.

The shipping companies are free to recruit internationally, but often they are subject to flag state regulations concerning the selection of crew, their terms of employment and working conditions. In some cases, some flag states insist on the employment of nationals. [4]

In the context of the complexity of the global labor market, recruitment of the best needed seafarers and cadets represent one of the most essential strategies for a maritime company to acquire and develop competitiveness. The recruitment process in maritime transport is the main process to bring new seafarers to the company. In today context, when a large number of sea accidents happen due to human error, a highly importance must be paid to recruitment in order to maintain quality and safety of maritime operations.

Apparently, the process of recruitment and seafarers' selection seem easy, but in reality there are no easy recipes for the success of this process, as it depends on the knowledge and skills of the ones involved [5].

Recruitment of seafarers can be made from an existing pool of internationally trained seafarers due to expansion of the company, promotions, study leave, retirement or sickness. Historically, international shipping companies with tradition have their own „cadet” programmers to ensure a progression through ranks of seafarers who had grown up with the company's culture. This method of replacement has diminished over the last decades and nowadays companies use to outsource and collaborate with crewing companies. The benefit to the owner is a reduction in office overhead but the negative affect might be the lack of loyalty from the trainee.[6]

If the shipping company directly recruits their crews it is necessary to have a human resources department or crewing department to carry out all activities related to seafarers on board, beside the activities related to shore staff. Such departments meet several problems like recruitment of the best crewing personnel, the quality issue, maintaining the pool size as electricians and engineers onboard can be easily drawn out by other industries etc.

Some basic steps must be made in order to recruit seafarers. Firstly, it is necessary to identify any legal requirements concerning seafarers, including flag requirements. Secondly, it is necessary to identify the minimum requirements of shipowners that need to hire seafarers. Both general requirements and special seafarers' skills related to the type of vessel and voyage should be also known. [7]

3. Improving human resources recruitment by implementing a recruitment and labour management internal procedure

Most crewing and shipping companies implement an internal procedure for the seafarers' recruitment and labor management aiming to ensure that all ships in the fleet have qualified and competent personnel. Following is presented a Recruitment and Management of Ship's Personnel Internal Procedure implemented at several crewing companies.

The recruitment and labor management internal procedure enlist the activities to be made and the records that should be kept in order to recruit, hire and manage the work of with a very good knowledge on relevant international and national maritime legislation and adequate working skills.

According to such a procedure, the Fleet Manager ensures – through the Manning Office that appointed Masters are qualified for command according to the shipping company's qualification and experience requirements.

The Manning Office has several responsibilities. Firstly, it ensures that qualified, medically fit and competent personnel are employed. Another responsibility is to manage the directly or indirectly recruitment of all seafarers, including selection, qualification and verification of records as well as certification details. The records and certification details of all seafarers including performance, appraisals and family contacts should be maintained properly. The Manning Office ensures that the verification assessments are carried out on a sampling basis with regards to seafarers' certificates validity and authenticity in line with the issuing authority.

Additionally, it ensures that data (dates) related to certificates and/or endorsements do correlate to previous experience and vessel type.

The procedure points out the responsibility for the vessel's Master who ensures that his vessel is always manned in accordance with international, national and flag state regulations, as well as company's requirements.

Also, according to the procedure, all staff should have adequate background in order to understand and actively participate in the Safety Management System, to strive continuously to improve operations and where possible, to contribute towards new methods and ideas designed to enhance safe and efficient ship operations. Records are retained in the electronic database, and retention rates for differing ranks and nationalities are monitored.

3.1. Applications

Seafarers' applications are accepted even if there is not an immediate vacancy (for future offer of employment). Every first time a candidate will complete the "Seaman's Application" form and provide evidence of education, medical background, training & certification, previous employment history and other information that is necessary to evaluate the applicant's qualifications.

3.2. Interviews and nominations

All first-time candidates are interviewed, regardless of their rank at Ship Personnel Manning Office. The Ship Personnel Manning Office carries out the initial interview and a "*Candidate for Employment Interview Check List*" – rank specific - is completed by the interviewer. For senior officers a subsequent interview, is carried out by the Ship Personnel Manning Office and/or Fleet Manager at Manning Office premises, to assess as to whether, candidates meet the requirements for the intended position. The hiring company conducts pre-employment assessment for job competence for officers and ratings through Ship Personnel Manning Office. Most of the recruiting companies use "*Seagull Competency Evaluation Scheme (CES)*" computer-based software to confirm job competence before confirmation of

employment. CES is a large knowledge database with over 5,000 multiple choice questions specific to seafarer knowledge as defined by STCW. CES is structured to use pre-defined test types with a built in question randomization feature to maintain its secure integrity. This software is also used as part of the refresher training process for existing shipboard personnel.

Nominations will be carried out upon the receipt of a request for replacement from a vessel's Master. A search for acceptable candidates in the crew availability database will be carried out and the potential candidates shall be contacted and informed. The validity of their certificates of competence, as well as their travel documents is checked or assessed in order to ensure they remain valid throughout the period of their contracts. In case there is no suitable or available candidate in the crewing company's pool, recruitment and nomination may be extended with the new applicants done by the Manning Office.

The Manning Office is also responsible to arrange all necessary formalities in order seafarer nominated to be ready before their embarkation as per hiring company's and STCW'95 requirements. In addition to the above, an extended interview process for Masters and Chief Engineers is conducted either by the Manning Office senior crewing operator or Fleet Manager, which includes an introduction to company structure and an outline of defined responsibilities. Records of this process are recorded for a period of several years. The Manning Office is responsible for all appointed seafarers recruited, to undergo prior to their embarkation, specific training seminars.

A briefing is held at the Manning Office for Senior Officers familiarization purposes concerning the conditions and operational status of the vessel to which they have been nominated, technical, operational and procedural standards to be maintained on board, the standards to be maintained onboard with regard to the hiring company's policies, mission and vision.

Finally, prior to employment, seafarers sign applicable company's policies ensuring understanding and acceptance.

4. Conclusion

Today there are several methods to recruit seafarers. Shipping companies striving for business excellence show a great interest in performing recruitment adequately in order to carefully hire the most suitable and competitive seafarers.

The recruitment and labor management internal procedure is presented by the maritime company's staff and acknowledged by all the responsible persons. All records referred in such a procedure are kept for two or three years at the company's headquarters.

A procedure like the above, aiming to improve the process of seafarers' recruitment and the activities involving human resources management, has become today a standard manning activity both in international and Romanian crewing and shipping companies.

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Management of Quay Crane Exploitation in Constanta Harbour Area

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Abstract

Most of the quay crane work activities can be reported to the following five functions of management: planning, organizing, staffing, directing and controlling. Taking into consideration the connection between management functions and management of quay crane exploitation, the work of the cranes can be improved. This paper presents the functions of management applied to quay crane exploitation.

Key words: quay crane, management, exploitation, harbour.

J.E.L. classification: L16, L 62, L 91, L 95.

1. Introduction

Quay cranes are particular transportation devices used in Constanta harbour area. Quay cranes are one of the main port machineries useful for loading and unloading freight. In the harbour activity these cranes are seen as driving the whole work technological process.

In order to make loading and unloading of ships, quay cranes must perform a series of actions (maneuvers), for cargo to be introduced or removed from any area of the ship. Quay cranes are large-sized heavy machinery equipped with complex systems, capable to execute all maneuvers, while ensuring appropriate operational productivity. Achieving high productivity by a quay crane is required to ensure fast loading and unloading ships. Worldwide, shore cranes building enterprises make permanent improvements and refinements in construction and operation in order to achieve equipment according to today's demands in the operating process.[1]

A large number of operating cranes in Constanta harbour area are old and need to adapt to new manufacturing conditions before their eventual replacement. An old technologically quay crane device produces high operating costs. Some exploitation costs can be maintained under control by establishing and improving exploitation management.

Operation's safety and parameters like cost, reliability, availability, maintainability, and productivity should be fulfilled [2] and carefully taken into consideration while exploiting quay cranes. Quay crane productivity has always been one of the critical components of terminal productivity and implementing or improving the management of exploitation can increase productivity and all the above parameters [3].

2. Management of cranes and quay crane exploitation

Implementing a management system is suitable for the technical characteristics of the quay crane. A crane management system can supervise and collect crane status data continually. It helps to report and analyze the cause of a fault or alarm, it helps to recover from crane failure early, and increases crane productivity.[4] But also it is essential to implement a work management with a focus on improving the crane activities.

The position that managers provide in planning, organizing, leading and controlling is an essential responsibility in any business. A manager must organize these functions in order to reach company goals and maintain a competitive advantage [5]. Similarly, the crane has to know and to apply the following management functions in his daily work in order to reach the planned objectives.

In this paper the work management consisting in planning, organizing, staffing, directing and controlling, is related to the

craner work duties and responsibilities. In the planning function of management, cranes work duties are established before starting the quay crane's exploitation. It follows organizing the work activities. The coordination function involves both craner coordination and the coordination of the specialized technical personnel responsible for supervising the work. Both the craner and the technical personnel will also develop the function of controlling.

3. The function of planning

Planning is the basic function of management. This function consists of all work processes through which we can determine the main objectives of the organization and its components, as well as resources and necessary means to achieve them. Planning answers to the following questions: "What should we do and what can be done within the organization? [6]. It deals with chalking out a future course of action and deciding in advance the most appropriate course of actions for achievement of pre-determined goals. Planning is determination of quay crane courses of action to achieve desired goals. While planning, the craner thinks systematically about ways and means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of crane and human resources and to reduce risks and wastages. The results of planning are divided in forecasts, plans and programs. The horizon of forecasts cover a minimum 10 years period, have a character of approximation and are not obligatory. Plans refer to the period between 5 years and one month. Current plans are detailed, while the company's plan for 5 years includes only the main fundamental objectives of the company and related resources. The programs have a short horizon, often a decade, a week, one day, a shift, an hour. They are very detailed, with a high degree of certainty and the listed items are required.

If we take into consideration a cranes program for one working day, before starting the work, the craner can plan the following:

- how to ensure the operation of the crane according to manufacturer's instructions;
- how to use the signal code;

- how to act the mechanism in cases of repairs, maintenance and overhaul, maneuvers are to be executed under the direct supervision of the specialized technical personnel responsible for supervising the work;
- to take into custody and to deliver the crane by making records in the register of crane monitoring;
- how to light the station lights (in the case the cranes are equipped with such machines) when is poor visibility and at night
- how to participate in repairs, maintenance and overhaul etc.[7]

The planning function is also exemplified in the case of planning quay cranes' revisions, repairs and maintenance activities, investments in buying new equipments or in building facilities etc. In Constanta harbour area the supervisors overseeing technical facilities prepare the annual plan of regular technical checks and submit it to ISCIR territorial unit to which it belongs within the deadline.

4. The function of organizing

The organizing function means the whole organizing through which management processes are established and delimited into physical and intellectual work processes and their components (movements, times, surgery, works, tasks, etc.) and are grouped into positions, work teams, departments and assigned to personnel, according to certain managerial, economic, technical and social criteria, to achieve in the best possible conditions the predicted targets. Organizational function answer to the questions: who and how contributes to the objectives of the organization?

Organizing the crane exploitation involves how to classify and group the working activities, how to assign cranes' work duties and how to create responsibility and coordinate authority.

For example, before starting the work, the craner has to organize the following activities, in a logical order: to check the power line, to check the tread rigidity, to check the lubricating grease, to check the wear and operation of the hook, to check the signaling installations, to check lighting,

ventilation and air conditioning, to verify the existence and integrity of parts of the crane etc.

A proper organizing will aim safety. For example, activities like lubrication, cleaning, maintenance or repairs will not be organized during the crane operation.

Another example of organizing work refers to organizing work preparation steps and organizing steps of actual work. The crane is organizing the following main stages of quay crane preparation before starting the actual work:

- Coupling the main switch of the crane for placing the supply current in the operating port facility;
- Probing of all the running without load while checking the limiters and acoustic signaling system;
- Stopping the operation of the crane;
- Fix the crane's lock pliers on rail, if the storm is announced;
- Decoupling the crane's main switch to stop the input power.

Organizing the deployment of work phases consist in the following (it is considered the case of working with the hook for unloading the ship):

- Swinging the arm system in order for the hook to be brought vertically at the location of operating cargo;
- Lowering the hook at the place of taking the goods;
- Lashing cargo and binding the connecting ropes to the crane hook;
- Lifting the load;
- Swinging arm system so that the load is brought vertically to the place where it must be placed;
- Lowering the load;
- Untying the cargo ties from the hook;
- Lifting hook;
- Swinging arm system to bring the hook vertically in order to takeover the cargo.[1]

5. The function of staffing

In management, the function of staffing is the function of manning the organization structure and keeping it manned. The main purpose of staffing is to put the right crane in the right crane to make the necessary working activities. The analyzed crane

operating companies from Constanta harbour applies the function of staffing to specialized units like: quay cranes exploitation unit, specialized unit for mounting cranes, repairs unit etc.

6. The function of directing

The function of directing actuates the organizational methods to work efficiently for achievement of organizational purposes. Direction deals directly with influencing, guiding, supervising, motivating subordinates for the achievement of organizational goals. Direction has following elements: supervision, motivation, leadership and communication. Supervision- implies watching and directing the cranes.

Supervisors overseeing technical facilities authorized by ISCIR must have theoretical and practical knowledge in the field of quay cranes. They have the following main tasks: keep records of installations and follow-term performance of official technical verification, monitor the training facilities and test-tasks necessary for official technical checks and participate in their performance, watch quay cranes to be used in accordance with the technical requirements, operating instructions and rules of work protection etc. They carry out professional instruction and quay crane safety training once a semester and organize regular review and participate in the review commission. For each crane, the unit holder shall prepare a register of supervision. The cranes, the service staff and team leader for maintenance and inspection are required to record in this register, under signature, all observations taken on the crane and brief description of the deficiencies, failure, maintenance activities and repairs. Registers will be kept in good condition at the crane, and responsible for overseeing facilities will check this register periodically, at least once a semester.

7. The function of controlling

Controlling function can be defined as all the processes by which performance of the organization, its subsystems and components are measured and compared with the objectives and standards set initially, to eliminate shortcomings and integrate positive

deviations. It answers to the question “with what results has completed the work done?”[6]. Controlling implies measurement of accomplishment against the standards and correction of deviation to ensure achievement of organizational goals. An efficient system of control helps to predict deviations before they actually occur. Controlling has the following steps: establishment of crane and quay crane standard performance, measurement of actual performance, comparison of actual performance with the standards and finding out deviation if any and making a corrective action, if necessary [8].

For example, after work a crane should check whether load and unload latch to lift the load is in the top position, the crane is moved to the place fixed for the rest, the crane is secured to the mounting clamp or anchor devices or on horseback, to avoid movement due to wind or to vibrations and all control devices are shut off. After completion or termination of work load will not remain suspended. In exceptional cases, when the crane can not down load, it will take measures to ensure the load restriction site and the provision of appropriate safety signs.

8. Conclusions

In this paper we applied the management theory and in particular the theory of management functions to the quay cranes work activity as observed at some operators in Port of Constanta. Most of the quay crane work activities can be reported to the following five functions of management: planning, organizing, staffing, directing and controlling. Taking into consideration the

connection between management functions and quay crane exploitation, the work of the crane can be improved. Further study will be needed in quay crane management in order to analyze the influence of the above management functions to losses reduction and productivity raise.

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Forecasts and Guidelines in Hospitality Business

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Abstract

Tourism is a vast field of activity with deep implications both in its diversity and in the collateral economic side of its work. Forecasts for international tourism market as a reference term for development prospects of the hotel industry, under the current crisis and global recession manifested quite profoundly, can influence the decision-making of tourist activities as a whole.

Hospitality industry development guidelines that concern the implementation of clean technologies, diversification of services and customer loyalty are influenced by the same global economic condition. Therefore, development and expansion plans of large global hotel groups are taken, mostly on short and medium time horizon.

Key words: tourism, hotel industry, tourism market forecasts, guidelines.

J.E.L. classification: L83

1. International tourist market forecast - a reference point for the hotel industry perspectives

A phenomenon that registers an important dynamics in terms of specific indices, international tourism manages with its content to footprint the specific market with new permanent change and novelty.

Being under the influence of many factors, international tourism market is especially characterized by dynamism, concentration, diversity, as it generates for all its major components important specific features.

Hospitality industry, major component of the tourism industry and international tourism market shows the same features as the belonging industry, influenced by all these changes manifested globally in the

economic, political, social, technological, ecological areas.

All these factors, with the direct impact on tourism and hotel can be sized through specific indicators, which are themselves reference elements for all actions to be undertaken for the industry. The quantification of factors, particularly economic, is the development strategies pillar for medium and long term programs.

There for, the analysis of achievements and trends in the international tourism market is an important milestone that management of tourism and hospitality industry must go through in order to define specific areas of business strategies.

Reference elements in the practice of management of the tourism industry are presented by the statistics and forecasts developed by the World Tourism Organization, World Tourism Travel Council and the European Commission Eurobarometer.

According to estimate projections of the international tourism market and its impact on the world economy, hotel market will follow and for the next time horizon 2011-2021 the dynamics of the including industry.

In the WTTC estimates, important are the issues relevant to the development of tourism and travel industry, which for the next ten years is predicted positive, upward total contribution to GDP from its 5991.9 billion USD (9.1% of GDP) in 2011, to 9226,9 billion USD (9.6% of GDP) in 2021 .

In terms of total number of employees for the year 2021, there is an estimate of an increase of the number to 323.8 million (9.7% of total employment) from 258.6 million (8.8% of total employment) in 2011.

Although travel and tourism industry exports will record an increase, from 1162.7billion in 2011 to 1789.2 billion USD, with a rate of 6.6% per year, its total contribution in exports will be reduced from 5.8% in 2011 to 4.7% in 2021.

Investment in travel and tourism industry in 2011 will record a value of 652.4 billion USD (4.5% of total investments) and for the year 2021 there are projected increases to 1487.9 billion USD.

Romania is in the global trend of growth within the main indicators of tourism and travel industry. This is confirmed by the WTTC estimates that in terms of contribution to GDP there will be a growth for 2021 that is forecasted at 15.219 billion USD from 6.417 billion USD in 2011 approximated. In terms of exports growth there is estimated growth at 5.742 billion USD in 2021 from 1.995 billion USD in 2011. Investments also recorded an increase to 1.210 billion USD in 2021 from 974 billion in 2011. Consequently, our country has an important tourism market potential in Europe, as shown in all international studies as part of the bloc of countries whose natural potential is modestly exploited, but with positive perspectives in developing the tourism industry on all segments, including travelling, from the hotel market point of view, in full growth phase.

Compared with other regions and countries, Romania is not of particular interest to investors on the international tourist market, the region of East Asia and Pacific still represents a major point of attraction for the investment flow, China being the best example in this case.

According to studies and estimates of the World Tourism Organization at international scale, tourism trends on the year 2021, indicates some changes in purchasing behavior and consumption of tourist services (mainly caused by the economic crisis).

The trend with perhaps the greatest impact is diminishing vacations budgets, tourists travel packages choosing preferences is heading towards a better value for money, rather than on a low price or "lowest price".

The main motivational factors in purchasing travel packages covers: local attractiveness, cultural heritage and entertainment possibilities. Other important elements in choosing a destination remain safety, services quality and the environment.

It is therefore noted that, the tourism market trends indicate not only change in travel motivation, depending on budget, but also in terms of opportunities for leisure, nature or environment is representing an

important milestone in decision to purchase tourist packages.

The strong link between the development of tourism industry, hospitality industry and hotel industry, link that is directly influenced by all that is now global change, regardless of their nature (political, economic, environmental, social, cultural and environmental). The investment-profit-impact equation on the natural environment becomes the priority of all the strategies defined in the local and multinational corporations. Therefore, the hotel industry is obliged to take all those elements that will assure a permanent economic development reported to sustainability.

2. Orientation in hotel industry evolution

It is understandable that the international development of the hotel industry is given by the growth of tourism, trade and international commerce. It is expected that tourism in countries from the Asia-Pacific region to continue to have the same growth rates as in previous years. Some resorts are planned to be developed in Indonesia, Malaysia, Thailand and Vietnam. Moreover, there are important opportunities for hotel industry development in Eastern Europe, Russia and other countries of the former Soviet Union, where major hotel groups want to shift the growth strategy with new hotel construction and the acquisition of existing properties. In Asia, Hong Kong's growth has been encouraged by the economic boom that has swept South East Asia and also by the tax system. Major hotel corporations have headquarters in Hong Kong due to their low tax system; among them there are the hotel groups Mandarin Oriental, Peninsula, Shangri-La etc. In developing countries, the hotel industry has significant growth perspectives, based on sustained political stability, as part of social and economic progress, such an example was Romania, along with other former communist countries, which provides expanding opportunities for hotel corporations.

The tourism industry is a perspective field, where it is necessary and compulsory to be attracted significant investment for the development of its infrastructure, in particular, but also to generate new

perspectives for the development of the hotel industry. In other words, by joint efforts, tourism can become one of the main branches of national economies, and at the same time, the most powerful action point of all its components.

Orientation in the development of the tourism industry, and further, in the hospitality industry has to start from the premises of development of these industries. Hospitality problems, of great diversity - from design and location of units to their management – lay a heavy burden on the quality of accommodation services, hospitality and operations efficiency and, indirectly, on the dynamics of tourism and its influential factors acts as the guiding elements in its evolution. In this context it is expected a radical change on the approach of the hospitality industry's from top management that is directly concerned to use successful ecological methods and models internationally identified on various tourist regions, which can be adapted and implemented among hoteliers, depending on the specific local environment.

In this new orientation of socio-economic development, hospitality industry must adapt and solidify quickly to all changes required by local and international environmental action, so the correlation between profit-increasing needs of tourists, to be an optimum.

Existing permanent mutations in the global economic market have favored the expansion and diversification of the hotel business, the objectives of sustainable concerns overlapping economic objectives. Adapting the general requirements of contemporary society based on advanced knowledge and developing rational use of economic resources in a responsible manner in relation to the environment, led to a series of new guidelines on how to manage and organize a hotel unit.

A new focus on the implementation of clean technologies and make changes in the operationalization of modern technologies simplified by reservations systems and high speed internet access.

Continuous search for innovative approaches due to permanent increased competitive pressure causes shifts to diversify services in order to attract new segments and customer loyalty.

Adapting the hotel offers to the new structures of customers on one hand providing facilities for people with disabilities, and on the other hand increases the segment of female clients has resulted in oriented strategies to ensure comfort with specific equipment.

Encouraging customers to use web sites reservations for direct booking by reducing fees allocated to operators of sites for each booking, which will lead to optimization on pricing policy.

3. Conclusions

Hospitality industry is currently working under the tutelage of influences of cultural, social, ecological, political and economic nature, which, in different contexts generates a series of mutations in the working mode of operation and functioning, but also in terms of hotel management; adapting to changes imposed by external factors, require speed and flexibility in carrying out specific actions, so that changes in the active market are valued positively.

Environment and environmental factors, are a raw material for tourism and hospitality industry and it represents the starting point in determining management strategies, for which grant them a paramount requirement is urgent operationalization of how the hotel premises.

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Financial Innovations and Their Implications for Monetary Policy

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Abstract

Over the past few decades, many financial innovations have ensured a more efficient allocation of resources, being thus considered an engine of economic growth, but at the same time, their rapid development complicated the environment in which central bank implements its policies. In this context, the aim of our research is to analyse the impact of financial innovation on the monetary transmission mechanism, highlighting how financial innovation affects these mechanisms both by altering the channels through which monetary policy operates and by changing the overall impact of monetary policy decisions. The results of our paper underline the fact that an appropriate knowledge of the mechanisms through which monetary policy affects the economy, especially in times of stress, is of crucial importance in order for the central bank to stabilise the economy and promote long-term economic growth.

Key words: financial innovation, monetary policy, central-bank policies, financial markets

J.E.L. classification: E51, E52, E58.

1. Introduction

It has become evident the fact that a developed financial system helps and promotes a long term sustainable economic growth rate. Such a financial system allows the economic agents to diversify their portfolios and meet the required liquidity levels of their specific field of operations. The financial resources are allocated more efficiently and enhanced risk management techniques are becoming available on a larger

scale. The existence of such financial elements can facilitate the development of the production capabilities of an economy and provide the incentives for a long term economic growth. Using the same rational argument we can state that financial innovation which enhances the operational capabilities of the financial system can have a comparable effect also on the long term growth rate of an economy.

The global financial systems and markets have registered a tremendous expansion in the last decades especially starting with the 1980 and 1990. The changes have lead at the same time to the development of the business practices from the financial sector. On a broad scale, the financial sector has developed a large number of new financial instruments and techniques which allow it to better adapt to an ever changing global environment. Depending on the given abilities of the national financial systems to promote and foster financial innovations, these have determined more or less a strong development of these specific economies. At the same time, the raise of the importance that the financial sectors has in a modern economy and the rapid innovation rate that exists in this sector have lead to the development and extension of the researches focused on the financial innovation process.

The researches undertaken by Miller (1986) and Merton (1992) represent some of the earliest attempts to analyse the importance that the new financial services and products are having for the financial sector [3]. Financial innovations tend to appear under a variety of forms and in heterogeneous institution, expending in different sectors of the economy. We must underline the fact that many new financial assets and liabilities have been developed lately. Many of these new innovations have

appeared in what is generally called banking, since commercial banks are the main suppliers of financial services and products in many economies. In section 2 we will underline the factors that are behind the development and adoption of these new products and services in the banking sector.

Still, financial innovation determines also at the same time the development of certain worries regarding its possible negative that such new services and products can have. One of the greatest concerns is related to the way in which financial innovation affects the monetary policy of the central banks. Financial innovation influences the structure of the financial markets, the behaviour of the economic agents and the type of financial products which are traded. This is the reason why financial innovation influences the whole monetary policy transmission mechanism and enhances the uncertainties in the environment in which central banks implement their monetary policies. In order to meet these challenges, the monetary authorities usually react through an enhancement of the pragmatism with which they implement their monetary policies and by tightening the prudential supervision rules.

In order to underline these evolutions our research is organised as follows: *the first part* is dedicated to the introduction remarks, *the second part* highlights the driving forces behind financial innovation, *the third part* focuses on the relationship between financial innovation and monetary policy, emphasizing at the same time the challenges related to this relationship, while *the fourth part* contains the concluding remarks.

2. Determinant factors for financial innovation

Financial innovation, like most of the economic activities is determined by the achievement of further benefits, this fact being underlined by a cost-benefits analysis. In this context, a financial innovation either determines for its developers a diminishing of the cost, an enhancement of the revenues or in some cases both outcomes can be achieved. In regard to the diminishing of costs, the endogenous *technological changes* have determined the development of a series of financial innovations which have led to a

diminishing of the trading costs. For example the progresses made in the field of informational technologies have determined a significant diminishing of the operating costs of certain financial institutions like mutual funds which rely heavily on the accuracy of the economic provisions in order to enhance their revenues. Other financial innovations which rely on an enhancement of the computation capabilities and speed of action are represented by the portfolio insurance products and index arbitrage transactions, these products benefiting greatly by the upgrade of the computer speed. ATMs, which have in a predictable way diminished the operating costs of banks through the automation of most of the retail transactions carried out by a bank teller represent one of the most conclusive examples of financial innovation which have benefited from the technological progresses made in the last decades.

In a broad sense, *financial innovation* can be defined as representing the process of development of new financial products and services, of new ways of organisation in more sophisticated and complete financial markets [12], which improve resource allocation, diminish costs and risks and provide services that better satisfy the particular needs of the participants to the financial system. The central point is that a financial system has in a modern economy and the importance of achieving a long term sustainable economic growth determines new requirements regarding financial innovations. Since financial fluxes represent inputs in all production sectors and most of the consumer sectors, any changes in the financial sector will have positive effects and direct ramifications in the whole economy.

In general, all profit based organisations, including banks, are trying constantly to find ways to improve their products, processes and organizational structures which can determine a diminishing of the operating costs can better satisfy their customers' needs and lead to an enhancement of the profit margins which can be obtained. Banking customers demand a certain variety and novelty from the products and services which are offered and also easiness in usage. They want products which can satisfy their particular needs. The technological boom which took place in the last decades has helped the banks to

successfully meet these challenges.

Among all the technological innovations which have been adopted in the banking sector the internet banking (or on-line banking) represents the one innovative service which registers the highest degree of popularity among costumers. This service has facilitated the replacement in time of the old agencies networks with a new architecture based on integrated branches, ATMs, call centres and nevertheless systems which are using the Internet. As a result of these evolutions the changes which have took place in the payment systems for goods and services and have started with the popularisation of the plastic cards have had a tremendous impact on the demand for cash and the role of these in the economy.

Another factor which influences the development and adaptation of financial innovations is represented by *the legislative and taxation systems* used by a given country. Although a great series of researchers have presented the connection between financial innovation and fiscal regime used, we consider the vision of Tufano (2003) the most comprehensive one on the subject, underling the fact that "the main impulse which has been behind the development and implementation of viable financial innovations in the last twenty years has been provided by the fiscal regimes used by the governmental authorities". The list of financial products that have been developed as a direct effect of the fiscal regimes used is long and varied, some of the most notable cases being represented by the: zero coupon bonds, euro-bonds, the different types of financial investments used in order to cash in on the owning of financial instruments but which are not subject to the fiscal regulations, and also the different institutions for the management of portfolios. These types of financial innovation separate the owning rights of a financial instrument from its benefits which can be obtained from holding it, thus avoiding the taxes and fees needed to be paid for the owing rights (see the researches of Santangelo et Tufano, 1997 or Tufano, 1997, 2003).

At the same time *the competition* between commercial banks and other types of financial institutions has become more intense. The development and globalisation of the financial markets has underlined the need for the change of the structure and conditions of the

financial system. The financial regulations have been changed, usually in favour of the diminishing of removal of existing restrictions regarding the activities which could be undertaken by financial institutions, a good example in this case being represented by the liberalisation of the interest rates. This type of *deregulation* has determined the creation of incentives for the adoption and implementation of innovative ideas on the financial markets, since banks didn't represented anymore the only institutions which could offer high interest rates. Because of these the availability of funds which could be used for traditional banking lending activities has been diminished accordingly.

3. The impact of financial innovation on monetary transmission mechanism and the reactions of central banks

The monetary policy decisions are transmitted to the real economy through the financial system, which represents the interface between the monetary policy and the real economy. Because of this, any financial innovation which affects the conditions and the structure of the financial market has the potential to affect directly the monetary transmission mechanism [6]. On the other hand, through the impact which it exercises through the monetary policy transmission mechanism, financial innovation also represents a challenge for the conduct of the monetary policy by the central banks.

In the academic literature there is an ample discussion regarding the transmission mechanism of the monetary policy. In general, the transmission mechanism of the monetary policy is composed by several different transmission channels which are interconnected. From the perspective of the impact that financial innovation has on the monetary transmission mechanism we can consider these channels: *the interest rate channel*, *the exchange rate channel* and *the credit channel*.

The interest rate channel reflects the impact that monetary policy has on the real economy through the variation of the short term interest rate, determined on the actions undertaken by the monetary authorities, which influences the consumption and investment decision of the non-financial agents (the substitution effect), determines a shift in the

value of assets, especially the ones held by these agents (the wealth effect) and has an impact on the consumption speeding and the investments of the non-financial agents, depending on their debtor or creditor stand (the income effect). Financial innovation has enhanced the role of the interest rate channel in the monetary transmission mechanism, through the contribution brought to the raise and diversification of the financial assets held, enhancing the wealth effect of this channel. On the other hand, financial innovations like future and option contracts enhance tremendously the ability of economic agents to protect against the interest rate risk, thus counteracting any possible oscillations of the financing cost. As a result of these, financial innovations can reduce the impact that monetary policy decisions could have on the real economy through the interest rate channel.

The exchange rate channel is based on the variation of the exchange rate, which determines a shift in the capital fluxes with a direct impact on the level of the foreign exchange course. This has a direct impact on the real economy through its influence on the prices and the competitiveness of the national enterprises. Through the impact that financial innovation has on the exchange rate channel it is worth mentioning that the development of the derivative market (like future, option and swap contracts) can reduce the impact of the monetary policy decisions on the real economy through this channel. The explanation is that derivatives financial instruments allow economic agents to gain protection against the exchange rate fluctuation risk, thus the efficiency of the monetary transmission mechanism through this channel is reduced. Still, the enhanced globalisation of the financial markets has underlined inevitably the importance of the exchange rate channel for the transmission of the monetary policy. To this we add the fact that the international interdependence of the monetary mechanism can determine central banks to develop monetary policies in accordance with the events that are taking place at the international level. A domestic monetary policy which is not in accordance with the economic fundamentals will determine a rapid exit of capitals; while on the contrary, a raise of the international interdependencies between economies can

determine that the monetary policies of foreign states can have a direct effect on the domestic economy.

In regard to *the credit channel*, we can approximate that financial innovation may weaken the monetary transmission mechanism through this, especially in regard to the bank lending channel [11]. Financial innovation offers the enterprises the possibility to finance themselves through the capital market, thus they are becoming less dependable on the bank's lending. From the banks perspective, financial innovation offers the possibility to issue debt securities which is making them less dependable on the funding through secured deposits. Also, the usage of credit market innovations by banks, such as loan sales and securitisation which allows them to diversify credit risk exposures and increase lending has reduced even more the efficiency of the monetary transmission mechanism through the credit channel. As a result of these, financial innovation represents a challenge for the conduct of the monetary policy.

Financial innovation represents also an ongoing phenomenon. Thus, in practice, most of the time is hard to underline the exact dimensions of this process and is difficult to assess the effects that it could generate, this being the reason why it adds a level of uncertainty to the financial system. The elements of financial innovation [3] which enhance the level of uncertainty are:

- *off balance-sheets items*: the raise of the transactions made with innovative financial instruments can lead to an enhancement of the financial statements opacity that hinders the coherent supervision of the changes that occur in the assets and liabilities of a financial institution;
- *the raise of the credit risk*: innovative financial products can expose financial institutions to new types of risks. As a consequence of this fact, the quality of the assets held by these institutions can become dubious which can lead to a higher degree to the manifestation of risks.
- *the raise of the number of riskier financial products*: financial products with high returns and even a higher associated risk, but with a very good rating can be introduced on the market,

posing a serious treat for the systemic stability of the financial system.

The development of the electronic means of payment and especially e-money represents a good example of financial innovation which has a direct impact on the transmission mechanism of the monetary policy. The expansion raise of the usage of this alternative for of money can lead in the future to a complete replacement of the cash. This could lead to the disappearance of demand deposits and other form of extremely liquid deposits, which will have a direct effect on the transmission mechanism of the monetary, weakening the link between the deposits held by financial institutions and the changes that occur in the sectors of the real economy. Moreover, the enhancement of the usage of e-money could lead to a diminishing of the reserves that banks must have at the central banks. The technological progresses made in regard to the payment systems allow for a much faster settlement of inter banks transactions, thus diminishing the need for excessive reserve at the central banks for these types of transactions. In this context these new available financial resources could be relocated toward other sectors of the economy.

Some financial innovations can determine a change of the way in which the economy reacts to the changes made in the monetary policy, while other innovation can lead to a shift in the structure of the indicator used for the development of the monetary policy. For example, the changes that have occurred in the financial structures as a result of the securitisation process can lead to an increase of the direct financing importance and implicitly diminish the wealth effect as mentioned earlier. Households and non-financial institutions would prefer to use direct financing sources when they consider their spending options, also holding a large amount of their wealth in financial instruments such as bonds and treasury certificates, which would lead to an extensive financial disintermediation process which would diminish the role of the bank lending as a mechanism of monetary policy transmission. To this we can add the fact that the easy access to information sources because of the technological progresses registered in the communication sector can lead to the erosion of the competitive

advantages that the banks have in an asymmetrical informational environment.

New financial instruments can be issued in some sectors of the economy which are not taken into account for the monetary and financial statistics, this fact having the potential to lead to abnormal behaviour of the monetary aggregates underlined in these statistics. In the process of implementing the monetary policy, central banks could find out that their available economic and financial indicators cannot accurately reflect the real situation in which the economy is. As a result of these evolutions it becomes necessary the reconsideration of the monetary aggregates in order for these to be able to underline and include the new types of financial derivatives which are very liquid.

The development of a stable financial system is the main objective followed by most of the central banks. In the current phase of development, which is characterised by rapid development and changes of the financial markets, the activity undertaken by the banks and other financial institutions is subjected to ever greater risks and uncertainties which could lead to the compromising of the whole national and international financial system, a good example in this case being represented by the current financial and economic crisis. This means that the old regulations of the central banks regarding financial institutions must be revised and enhanced in order to better answer to the new existing market conditions. This is the only way in our opinion through which the benefits of the financial innovations can be harvester without the enhancement of the underling risks.

4. Concluding remarks

Financial innovations have an impact on the monetary transmission mechanism and influence the structure and conditions of the financial markets. From the perspective of the direct impact of the financial innovation on the monetary transmission mechanism, in our research we have focused on the interest rate channel, the exchange rate channel and the credit channel. Overall, in our research we have underlined the fact that financial innovation has a direct impact on the monetary transmission mechanism

strengthening the role of the interest rate channel and weakening the role of the bank lending channel, this being the reason why in our opinion financial innovation represents a challenge for the conduct of the monetary policy. In order to overcome this challenge, central banks must supervise the financial landscape, closely following the changes that innovative financial products and services are having in practice and being thus able to early identify the adverse effects that some of these could have on the stability of the financial system.

Some of the forms of financial innovations could lead to the change of the way in which the economy reacts to the impulses send through the monetary policy, while other innovations could distort the indicators that the central banks are using in order to fundament their policy decisions. Taking into account the fact that more and more data are becoming available we consider that through the extension and development of researches which analyse the way in which financial innovations are impacting the different monetary transmissions channels, the monetary authorities will be able to gather a significant and adequate volume of information which will allow them to know and even anticipate certain implications that financial innovation may have for the monetary policy.

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Considerations about Romania’s Public Debt and its Future Perspectives

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Abstract

The model of economic growth that Romania adopted was not sustainable. The recent economic crisis proved that. With the continued growth in salaries and pensions without a complex analysis of the budget and its future projections, and without an increase in productivity, Romania was turned into the perfect victim in front of the disequilibrium of the foreign markets. The IMF and the European Union played a significant role in saving Romania from what might have seemed another Greece at the time. This paper will analyze the effects of the external loan in the long run and also the absolute necessity of the loan. Recent events like the crisis of the sovereign debts in EU just show that the loans have only postponed an even greater crisis. The deficit will not reach 3% without a real economic growth and the external debt is growing rapidly. So, the loan had its price, maybe by sacrificing the sustainable development.

Key words: deficit, external debt, external loan, sustainable development, economic growth.

J.E.L classification: H63, E62, E21.

1. Introduction

By analyzing the Romanian economy before the crisis started in 2007, one will find a picture of a poor country in which bureaucracy, lack of confidence in the government and corruption are only the tip of the iceberg. The authorities were confident that Romania will resist the international

crisis because the model of growth based on attracting foreign investments was still promising. However, the end of 2008 showed that Romania was not ready for the fall of exports, the drastic cuts of investments and the threat upon the sovereign risk. Real Gross Domestic product (GDP) dropped by 13% in the fourth trimester of 2008 from the growth of 9% before the crisis. The main reason was the drop in consumption and the depreciation of RON. For a country dependent on foreign direct investments (FDI) and exports towards major countries in the EU, the need for an external loan slowly became a need for survival.

The economists Stiglitz and Walsh [1] stated in 2005 that an external loan is justified only when it is used in areas that would further generate incomes such as infrastructure, financing some projects of development in the future, increasing the competitiveness of the products for export and “the profit must be at least equal with the total cost of the external debt” This paper will make an analysis regarding how effective were these money for Romania and how this loan will have an impact on the future durable development in Romania.

2. The “need” for external debt

Romania had a model of economic development that was based on the continued growth of the volume of FDIs. This model has proved completely ineffective when the crisis stroke. Once the crisis started credits froze thus limiting the access of the population to resources for consumption, and the access of banks to internal and external sources of capital was limited. The exports dropped due to the lower demand from the

richest countries. The investors' lack of confidence that Romania will survive this crisis along with the excruciating need for reforms in the public sector, especially the pension fund did not leave any room for an expansionary fiscal policy.

So the government had to cut and it made massive cuts in order to survive. But the problem was the monthly payments. With the economy in real impasse the incomes dropped but the payments were necessary. . Financing from the capital markets was not an option due to the lack of confidence so the easiest solution as an external loan. Without an analysis and a long term plan regarding how the money would be returned, the government used 20 billion euro only for consumption so that the country would not reach default. Romania started to pay the mistakes made in the past when the wages in the public sector grew artificially without an increase in productivity. The need for reforms in the public and social sector became a subject of great importance and finally the rules of IMF took control of the economy.

With 12,9 billion euro IMF was the major lender through a stand-by agreement. Nevertheless, before the crisis Romania had an impressive growth (2006-2008) and the IMF warned the government that the increase in wages was not sustainable and that in case of troubled economic times the risk of default would be imminent. The stand-by agreement was not approved by the opposition and the general public. According to Jungman, the most important aspects of the agreement stated the following [2]:

- Introducing the law of the Fiscal Responsibility that limits the number of state employees in one year and new rules for reducing public expenses and a limit of the budget deficit agreed with IMF;
- New laws and internal regulations necessary for the implementation of the new reforms for tax administration;
- Unitary wages law in order to stop the increase in wages in the public sector;
- Cuts on expenditure by assuring a budget deficit of 6.8% of GDP;
- A plus in incomes by increasing the VAT from 19% to 24%;
- The fiscal strategy for 2011-2013 assures a budget deficit of 4,4% in 2011, the elimination of the 13th wage for the employees of the public sector and cuts in the number of state employees reaching 1.290.000 until the end of 2011;
- Adjustments in the laws of local budgets in order to reach a certain fiscal discipline;
- New powers granted to the fiscal administration in order to reduce corruption.

According to this agreement, Romania needs has a long road towards a fiscal consolidation and many social and fiscal reforms have to be implemented in order to create an environment for future economic development. In order to do this the population will feel a decrease in their life standard and the GDP per capita will be reduced considerably. In the short term the effects of the IMF loan will for sure be the image of a weak economy troubled by recession and a poor country in desperate need of liquidity and investments.

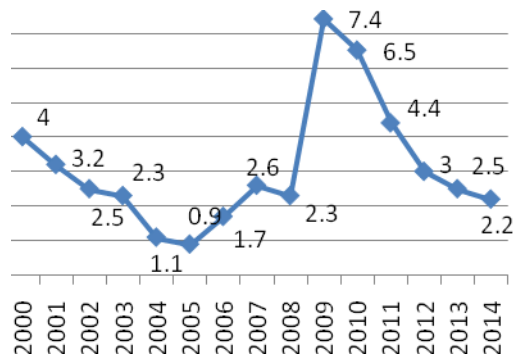
However, the need for convergence and stability could be fulfilled by restructuring the fiscal expenses towards productive investments and increasing the absorption of European funds. Productive investments should be those investments that would generate incomes in the future such as in infrastructure, Greenfield investments and others. These would create a favorable business environment for Romania, by bringing longtime economic development and establishing the background for durable development. In order for this to be done Romania needs to restore the confidence of potential investors in this country, mainly by relaxing the fiscal mechanism and incentives for new workplaces. Investors need a secure place in which they can conduct a business and a major role is played here by the government.

Sovereign rating, the budget deficit, the external debt, a secure and stable coin are crucially important. We may notice that, simultaneously with the external loan, Romania started a series of reforms that need to respect a certain budget deficit in order to be implemented. So, Romania kept its part of the deal and the budget deficit is inside the agreed variation. In 2012 it would be 3%, in

the limits of the Maastricht agreement in order to adopt the Euro currency. But the problems will appear when the loan along with its associated interest will have to be returned. The expenses will increase so extra measures will be needed in order to increase the incomes. Without a sustainable economic growth that can assure the reimbursement of the loan, the deficit will increase once again and probably an extra loan would be needed and the history would only repeat itself.

According to the IMF respecting the deficit is imperative in order to ensure Romania's fiscal sustainability and also, by 2020, the budget deficit would barely reach 1% if the recently started reforms continued.

Figure 1: Budget deficit evolution for Romania 2000-2014



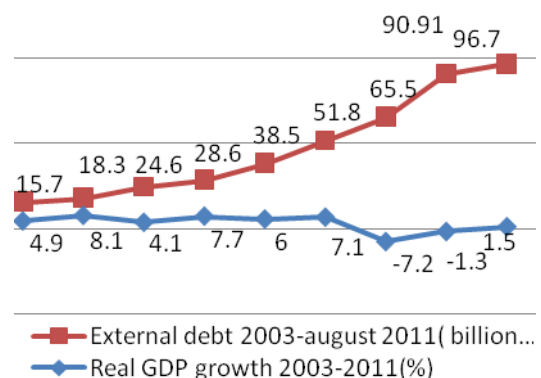
Source: Projections after Romanian National Institute of Statistics, IMF

If Romania manages to sustain the convention and reforms agreed upon with the IMF, then the budget deficit should reach the limit of 3% of GDP in 2012. However, these projections were made before the crisis of the sovereign debts in Europe from 2011. Also, USA's credit rating dropped, Greece seems more likely doomed to default, and countries like Italy are more likely to step on the same path. The uncertain outlook for the nation's future fiscal health is growing and this could negatively influence the future of the Euro zone, the supremacy of the USA, the rise in borrowing costs.

3. Sustainable development at risk

Without fiscal sustainability, there is absolutely no chance for Romania to develop a model of real economic development, and with all the resources addressed for sustaining consumption, the future does not look bright. The external debt has grown rapidly and it continues to grow after the 20 billion euro loan. We can see that the external debt of Romania grew constantly from 2003 and in August 2011 it reached almost 100 billion euro. There is still no motive to worry about the risk of default at the moment, but for the future, considering the risk of a second wave of crisis, it does not seem comfortable. Analyzing the real GDP growth of the economy during the exact same period we can see that when the economy reached the worst drop in GDP in 2009 of -7.2%, the external debt grew by almost 15 billion euro, the biggest difference in the last decade. With the risk of default being somehow counterbalanced by the external loan the problem that still remains is whether this loan jeopardizes the durable development of Romania or not. This depends on various issues: the ability to increase the absorption of European funds, the reforms of the public pension system, lower tax reforms regarding labor market to encourage lower unemployment rate. The reality is that a rapid growth in the external debt is a real motive to be worried, by simply looking at countries like Italy, Spain or Greece.

Figure 2: Comparison of external debt evolution/ real GDP growth, 2003-2011



Source: Projections after NIS, NBR,
<http://www.indexmundi.com>

There is no reason for a country to risk a continuous growth in its external debt except for the situation when the government can respect the rules of financing a budget when the debt needs to be paid. A lot of countries seemed to ignore this economic warning and now they are facing a tremendous debt that can no longer be paid and they still continue to borrow in order to pay off old debt [3].

The best example for this situation is Greece with an external debt of 130% of GDP. All the money that Greece is trying to get from the IMF and the European Union will be spent on consumption in order to fulfill the monthly expenses of its budget and maybe to repay some of the old debts. In 1993 Belgium had a public debt of 141% of GDP, but it managed to cut it by 50% during the 1993 – 2007 period. This was possible due to the economic boost in the most important commercial partners of Belgium. The same was the case with Italy that had a debt of 132% in 1998. The situation is very different today because all the countries had a lot to suffer from the crisis and maybe they still have. Even Germany and France, two of the most important economies in the EU, have problems and registered a quite weak economic growth. Moreover, USA's rating downgraded and even China seems to experience some problems. Bearing this in mind it seems almost impossible for a country to be able to repay such debt. With even Germany opting for austerity the future does not look bright. With a very low savings rate it is very difficult to find the resources to repay the debt.

And this is also the problem of Romania. In 2010 the savings rate in Romania was 22%. Considering that in Greece it is lower than 10%, Romania still has a good situation and it is still far from default. But the problem of the deficit still remains. The main reason for the loan was the incapacity to finance the deficit. It appears that Romania managed to avoid the risk of default but with the price of jeopardizing its durable development. In 2003 the economists Grafe and Buiter [4] created a mathematical model that would establish the optimal level of a budget deficit so that the future development would not be affected. The rule proposed

was the following: the incomes from taxes are constant and permanent. In case of some unfortunate events, these incomes will assure the long time solvability of the budget. According to this economists, the deficit should respect the following formula [5]:

$$d \leq (n + \pi) \times b + g - g^P + k - k^P + [(r - r^P) - (n - n^P)] \times b$$

d = deficit;

b = public debt;

r = internal interest rate;

r^P = the long run interest rate;

n = economic growth;

n^P = the long run economic growth;

g = government expenses;

k = incomes (total incomes- taxes)

k^P = ratio of general government capital stock to GDP;

$(n + \pi) \times b$ = how much the debt drops due to the increase in nominal GDP;

$k - k^P$ = incomes without permanent taxes/ incomes without current taxes (as a share of GDP);

$(g - g^P)$ current governmental expenses/ permanent government expenses (share of GDP);

$[(r - r^P) - (n - n^P)] \times b$ = actual interest rate/ actual interest rate adjusted by inflation and rate of growth.

According to the statistical data available for Romania in 2010 and the forecasts for 2011 (from NSI, NBR, Fiscal Counsel 2010)

Table 1 : Data for estimating
Romania's deficit

d	6,5%
n	-1,2%
n^P	1,5%(estimation for 2011)
r	6,5%
r^P	6,25%
b	34,9%
g	39,107%
g^P	37,3%
$k - k^P$	0

Source : NBR, Ministry of Finance, Fiscal Council annual report 2010

So, the formula shows that the deficit should have been :

$$d \leq (-1,2+8)*34,9+(39,107-37,3)+0+[(6,5-6,25)-(-1,2-1,5)]*34,9$$

$$d \leq 3,42\%.$$

The budget deficit in Romania at the end of 2010 was 6,5% of GDP, almost the double of the estimated amount, according to this model. Still, we may notice that in 2010 Romania managed to keep the budget deficit in the limits approved by IMF (6,8%) with 6,5%. If we look at this model we may observe that Romania's deficit should have been 3,42% in 2010 in order not to affect the future economic growth and Romania's durable development on the long run. Through this loan and the austerity measures adopted Romania could keep the deficit in certain limits. But what's the price of this? It is clear that by these drastic measures the consumption dropped so the quality of life dropped, as well as the per capita GDP. And following this model we may also add the jeopardizing of the country's durable development. Furthermore, through this loan Romania reached a dangerous level of its public debt and it still continues to grow. For now, the level of 60% needed to enter the Euro zone is basically impossible to reach.

It's time for Romania to figure out what is the "point of no return" in regards to the public debt? What level of the debt could not be returned? Would this be more than 60% of its GDP (Maastricht criteria), 100% the public debt of (USA), 120% (Italy) or 150% (Greece)? Starting from 1992 and 1993 when Romania had 0% external debt, but an amazing inflation rate, the future showed a dependence towards the "easy money" from the IMF and then from the EU. The 20 billion euro loan equates to about 1000 euro for each person in this country, for two years. It seems a lot considering that the consumption continues to drop, the saving rates are very low and the fiscal burden continues to grow. Then what can we expect from Greece, where the external debt equates to about 36000 euro per person? It looks like 2012 is the year that will decide how we will handle paying out this debt. This year we must repay 173 million euro to IMF and 148 million towards European Union. The tip of the iceberg would be reached in 2015, with a

need to return 1,8 billion euro, that represents about 1,5% of our current GDP. Knowing that for 2012 the forecasts regarding the economic growth for Romania dropped to roughly 1,1%(BERD) due to the dependence on Greece. In this case the public debt is more likely to grow even further.

Table 2: Evolution of public debt in Romania

Year	Public debt (%of GDP)	Change (%)
2005	20,4	
2006	18,4	-2
2007	19,8	+1,4
2008	21,3	+1,5
2009	29,6	+8,3
2010	37,9	+8,3
2011(31 AUG)	39,4	+1,5

Source: Ministry of Finance

The economic growth projections were also modified for the EU and the Euro zone, lower than during the crisis started in 2007, to 1,3% and 1,1% (according to IMF projections). Even Germany is expected to have a very weak economic growth in 2012(1,4%). The perspectives for Greece and Portugal are negative -2 %, and -1,8%. Romania's economic growth is depending on the growth of exports for the EU countries, mainly Germany, Italy, Austria, France. With this negative perspective it is hard to believe that Romania will manage to keep its "plus" on GDP and avoid a second wave of crisis. And a second wave of crisis would further impact on consumption, drawing other austerity measures. The sustainability of the budget, fragile as it is now, would be attacked. So who is to say that we would not once again appeal to the IMF in order to calm the situation and let the problem of returning the money to another government? All of these show that Romania was not ready to deal with the crisis and its economy is still weak and unready to survive another recession.

4. Conclusions

The major problem of our country is that Romania did not make a proper analysis before taking the loan. There hasn't existed any strategy regarding the loan and the external debt. There should have been a strategy regarding the effects of the loan, the economic growth needed in the future years so that the loan could be returned and how exactly the money should be used. It is well known that the basic economic "rules" state that an external loan is justified when it is used in areas that could generate future incomes. Driven by the circumstances and without a proper analysis regarding a loan of such importance, the government used the money extensively on consumption. Monthly expenses of a government such as pensions and public wages should not be covered by a loan without jeopardizing future durable development.

The strategy that the government adopted is not effective in any form because this loan could affect the economic development on the long term and the decisions taken last year, this year and in 2012 will be crucial for the future. It seems that the strategy adopted by the government is "solving the problems as they come" without a real growth strategy in the long run. Durable development is a complex process that needs to be approached as a complex process of a sustainable economic development that can create the basis for productive industries, an increase in exports and productivity of the labor force. Romania has another stand-by agreement of 5 billion euro at its disposal that could be used if the economy drops again in recession. In the light of recent events with the uncertainty upon the situation in Greece and even the questioning of the Euro zone existence, this loan seems very probable. In case of not achieving the economic growth of 1,5% agreed with IMF for this year, or not respecting the budget deficit of 4,4% of GDP and if there would be some doubts regarding the solvability of the monthly expenses, it is very plausible that the government would use these money. The history would only repeat itself. Unfortunately, the biggest fear is that in 2012, the election year will bring out the same stories as before and the battle for power will emerge once again and it would

as always be more important than the well being of the country.

If the officials have not learned anything in the last years, than, most likely, in case of a new government, there will be new reforms and the ones started last year along with the loan will be modified or dropped down and new ones would emerge. Although the loan seemed the best possible solution for solving the immediate problems of our country and preventing it from default, no one is to say what the future reserves. The new government may accuse this one of incompetence. It is clear that Romania needs to learn how to save and how to increase its productivity in order to create a model of economic development. There is no sustainable development in Romania at the moment because in order to have it Romania needs to inspire confidence to investors, needs to have a proper infrastructure, stable exchange rate, institution that inspire trust and not lack of trust and corruption. The continuity and synchronization of government and reforms is the key subject in order to have durable development in Romania. A study realized in 2011 by Daniel Daianu [6] concluded that 80% of the fiscal consolidation in Romania is realized through expenses cuts and 20% through tax changes. The study suggests that Romania suffers a lot because of the lack of transparency and we totally agree to this. The problem is in the public acquisition, in spending the public money, and establishing a standard cost system like other countries.

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Pricing Decisions

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Abstract

The area price is a compromise solution to mitigate the inconvenience of the two previous solutions. The territory is divided into several areas and each area has its price level.

In conclusion, for low weight products, when delivery costs are small, the ex-works price seems to be the simplest solution.

Instead, when we talk about large and heavy goods, which means high transportation costs, the area price method allows alleviating the higher price differences relative to competitors.

Key words: price, product, market

J.E.L. classification: M31

Once set the price targets, the enterprise will have to make decisions on these two situations:

- setting the price of a new product for the first time
 - price changes based on the enterprise's opportunities and the general market situation
- a) The decision on the price of new products

Studying the life curves of the products, one can see that a product recently introduced on the market does not immediately reach a great number of consumers. Without any doubt, the new product must first be the object of advertising and sale promotion. According to well-known J. Dean, there are only two ways of possible action: market skimming or the penetration of the market as fast as possible.

The "market skimming" policy means setting a relatively high price, so that at the beginning of the launching operation, one can reach only limited clients, even if later on a price reduction will be made.

The advantages of this policy are motivated by four reasons:

- market skimming is based on the observation according to which sales are less sensitive to price in the launch phase. It is the period when all the efforts of commercial dynamic (sale promotion, advertising, stimulating the sales team etc) have the biggest effect on the turn over.

- market skimming allows to take advantage of a market segment which accepts high prices, before trying other groups of consumers more sensitive to prices. In other words, one can get, at the beginning, extra-sales among those who are not at all price-minded, meanwhile one gains experiences for reaching larger markets in the future, through more attractive price levels.

- with this price policy, the commercial agents explore the market. Indeed, it is more advisable to begin with high prices and later on to cut them, when the first segment of the market was entirely checked and satisfied, rather than beginning with low prices, which afterwards are put up to cover some unanticipated costs.

- high prices, for a market which seems to be favorable to the product, determine bigger sales than low prices can do.

The market penetration consists of the fast conquest of an important part from a large market, due to low prices, with the help of intense advertising and through a large distribution policy.

Choosing such a policy is preferable in the following four cases:

- when the volume of the sales is very sensitive to price, right in the launch phase of the product.

- when making savings in the unit costs of production and distribution through the release of high quantities.

- when you know that the product will be threatened by a lively competition since the launch on the market

- when there is no market for the elite, in other words, when there is no customer of a high price for the acquisition of the latest news.

The advantages of the penetration policy are in the barricades against possible rivals.

The prospect of a reduced profit even of a temporary loss shows big chances of stopping the rivals or even their final discouragement. Furthermore, the enterprise conquers such a force position on the market, that it will be able to use its potential, when necessary.

The inconvenient of the policy of penetration is its expansive character, because it requires great investments and involves a large amount of inventory.

b) The decision on price changes, which takes into account the opportunities of the enterprise and the general situation of the market.

The marketing responsible often has to change the prices of his products, meaning cutting them, rising them or establishing some criteria of deviation from the price list.

Price cuts. Such a decision is motivated by external causes, as well as internal ones.

- External causes. If a competitive opponent takes the initiative of cutting price for a product, then one has to think of price changes. But one must know that price cuts made by the opponent are either temporary (by sold outs he can improve his treasury) or forever.

In the first case, if the consumers aren't too sensitive to price variations, the reaction is slower than in the second case. If the second case is confirmed, then we deal with other problems. Do we have to align ourselves to the price of the opponent? Do we have to reduce the price and still keep a superior level in comparison with the opponent? Do we finally have to begin a real war of the prices, putting ourselves under the set value of the opponent? There cannot be a straight answer to this. Actually, the decision depends mostly on the nature of the product. When the goods are homogenous, easy to compare by the possible clients, it is preferably to align ourselves to competition's price, with the condition that the operation stays profitable. But when the products are different, when the consumers don't seem to pay attention to the price level anymore, when the brand is very famous, we can afford to ignore the opponent.

Although the price cuts seem easy to do or imitate, they are often dangerous for production enterprises. Indeed, such

decisions often lead to overbid. They always diminish the profitability of the firms and they lead some of them to bankruptcy.

Only the retail firms and the consumers benefit from these competitions and they share the benefit of price cuts.

- Internal causes. The price cuts can also be motivated by causes from the inside of the firm, such as: reducing costs or the initiation of the promotional action.

When the costs are reduced due to technical progress, we can keep the price level and we can obtain a bigger profit. But we can also reflect the price cuts on the sale price, as the manufacturers of electronic computers did in the past years. Often, one has to take some precautions. The price cuts don't have to alarm the consumers and doubt themselves about the quality of the product. This strategy of reducing the price on the basis of minimizing the costs has to be followed out only then, when the product is widespread and so became popular.

The price cuts may have the origin in a promotional advertising. However, in this case, the strategy is limited in time. When the promotion is over, the price is brought back to its initial level.

Rising prices. There are categories of reasons which can explain such an action: the rising of the costs, a decision to improve the profitability and the will of changing the image of the product. The eventual rising of the costs makes the commercial managers ask themselves if they have to reflect the rising of the costs (partially or totally) on the sale price. The answer to this question depends on the nature of the product, on the consumers' sensitivity to price waves and the opponents' decisions. If the last ones see that their profit goes down, then they'll react and rise their sale price. From this moment on, it is possible to have higher prices.

The decision of improving the profitability is seldom taken. Still, this decision can be taken when a firm has a stable and efficient element of monopoly, but with the condition that the demand should be less sensitive to price waves. It is also gut to check if there is no other substitute at a lower price.

If we want to make the best image of the product, it is possible, even recommended in certain cases, to increase the price, but without engendering any refusal to changes from the consumers. We will have to change,

for example, the distinguishing elements of the product: color, shape, conditioning.

As for the consumers' reaction to price changes, it is difficult to give an answer. We can however analyze the competitors' ripostes to previous attacks. Because of the lack of information about previous periods, certain authors stipulate the use of the theory of the games or calculation of the probabilities, but the real use of these complicated techniques is extremely rare.

Forasmuch, the choice of prices or their changes represent decisions coordinated with other marketing mix options, we will perform a logical operation scheme, which settles down the main steps to follow.

Through this logical scheme, one gets to the base price and the real price will be settled down from it. The last one varies in terms of quantities that are bought, in terms of distance or client etc. Finding the real price is based on establishing standards of deviation.

Establishing the scales of deviation. Once the base price had been written down in the catalogue, we will establish a price scale in terms of a certain number of criteria such as: discount from the manufacturer to his wholesale or retail clients, price standards in terms of distance, price standards for a certain period of time.

We usually have three categories of price cuts:

- the rebate (discount) means exceptional price cuts, which is good, for example, to sell out the old articles or those with slow sell.
- the refund is established in percents and it is applied to all orders in period of time; so thereby, 3 % from the annual purchase come to recompense the consumers' constancy.
- the draw is a discount made from different reasons, going from the base price:

The draw for the quantity one bought. This is a discount from the supplier, with the aim of transfer to his client the saving made at the sale costs (prospect costs, packaging, storage, delivery etc). These calculations must be accurately made, beginning with the information from the analytical bookkeeping.

The draw for quick payments. When adjusting of the credit invoices is the usual way of working, discounts can be made for quick payments.

The draw according to clients. When the representatives of a manufacturer meet their clients (wholesale or retail enterprises), they negotiate the prices based on the values registered in the suppliers' catalogue. The mission of the buyer is to try to reduce the value announced by the manufacturer. The manufacturer may also be compelled to except the terms of the negotiation in order to get more orders from the customers.

The draw paid as remuneration for services that the clients rendered to supplier (storage, date of delivery, organizing promotions etc).

As for the price scales according to distance, the practitioners take into account several solutions: factory price, ex-works price and area price.

The factory price from the catalogue doesn't take into account the transportation and insurance costs, which have to be paid by the client. This price has the advantage of being easier to calculate, because it doesn't include the transportation costs and, being reduced, it has a positive psychological effect on the client. The drawback of this factory price is the fact that, the more distant the customers are from the production place, the less competitive the products become, compared to those of the best located customers.

The ex-works price includes transportation and insurance costs in the base price. As an advantage, in this case the customer knows immediately what he has to pay. In the promotion action, the supplier may also use as an argument the "single price" for the entire national market. This price has its drawback: the closest buyers bear the costs of transportation, which should normally be paid by the far located clients.

The area price is a compromise solution to mitigate the inconvenience of the two previous solutions. The territory is divided into several areas and each area has its price level.

In conclusion, for low weight products, when delivery costs are small, the ex-works price seems to be the simplest solution.

Instead, when we talk about large and heavy goods, which means high transportation costs, the area price method allows alleviating the higher price differences relative to competitors.

Finally, there are scales of fixed prices for periods of time. The rates may vary over time. When the demand is strong, prices are set at a high level, then they are decreased when the number of regular customers reduces itself, in order to win new customers. For example, the telephone communications cost less in the evening and at night and on free weekdays.

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The Impact of Digital Economy for a Sustainable Rural Environment

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Abstract

Most research on digital economy is being directed towards urban areas and developed economies. A small attention is being granted towards rural area.

After documentation in literature of specialization it is being observed that the impact of digital economy on rural environment is being more attentive studied in international literature of specialty and less in the national one. This paper completes the emptiness of information.

The impact of Internet services in the rural environment could be huge and will generated new forms of performing typical activities in the new e-way. The paper focuses on the impact of Internet, more generally, of ICT (information and communication technology) facilities, upon the rural economy. The aim of this paper is to highlight the opportunity of electronic environment analyzing some important elements that can stimulate the rural economy.

Key words: digital economy, sustainable environment, information society, information and communication technology

J.E.L. classification: (L81, Q57)

1. Introduction

Researches suggest that information and communication technologies can eliminate the handicap of distance concerning distance and social interaction. Donald Janelle used the expression “convergence time-space at the end of year `60 in order to describe the capacity of transport, of technologies, in order to approach different places” [1].

It is said that technology of communication from telegraph and phone, from email to internet, will produce change, regarding space and time. Therefore due to

development of the virtual space of work through phone, online shopping, and other activities such as: exchange of electronic documents online, means there is no longer necessary for people to be in need of physical transport in order to interact with other people whom find themselves in remote places. As a result, the electronic commerce has a particular relevance within rural areas. One may say that such commerce eliminates the importance of physical proximity for many economic, social, cultural, political activities, in this way changing the rural areas in attractive places for business, services, relationships, to be established.

Motivations of people who live within rural areas, to adopt and use information technologies and those of communication, mostly electronic commerce can differ from the reasons people have within the urban environment.

Using electronic commerce might have greater impact on some persons within the rural area, than another one who lives in the urban environment, because a person who lives in rural area can now access information, goods and services and information that they couldn't before.

A better understanding of the people's needs who live in the rural area and how the electronic commerce can be decisive in satisfying such needs will lead to a better knowledge of such users would like to have regarding the design of new products or services that are being offered by the electronic commerce.

After documentation, we manage to identify an electronic urban, rural division. So far, most of international studies which examine electronic commerce have focused on urban areas. International discussion on this team suggests that geographic location influences the development of electronic commerce. The Organization Cooperation and Economic Development identifies this division as a discrepancy among followings

house-holds, business and geographic areas at different social economic levels regarding both opportunities to use electronic commerce and the use of the internet for a wide array of reasons.

2. Features for digital economy implementation for rural sustainable development

The Organization Cooperation and Economic Development come with reports on the site and outlines that the access on the internet in Organization Cooperation and Economic Development countries is higher within urban areas than rural ones. It also stressing the fact that inhabitation within urban areas are more likely to access the electronic commerce [2].

The cost of the internet are to be higher and the quality of services weaker within the rural areas. Where we discuss on using the electronic commerce, the inhabitation in the rural areas have the disadvantages of lacking infrastructure of educate telecommunication and of course that technology is much more expensive. People within rural areas are the last who usually use the electronic commerce. So the first who adopt the internet are the young people.

The uneven use of electronic commerce between the urban and rural environment is linked to the studies of Hollfield and Donnermeyer for the use of electronic commerce within rural areas and isolated once [3].

The statistics confirm that more countries are dealing with division type of using electronic commerce. Firstly, we can refer at Eurobarometer from July 2002: the internet and the public which study the access to internet in European homes of fifteen states members UE in period May-June 2002. The results showed that the access to internet in European homes is bigger in metropolitan areas (45%) and in urban areas (41%) than in rural areas (31 %). The study is underlining the fact that the typical use of internet from home or office is more probably man, with age between 40-54 years old, with superior studies and he lives in metropolitan/urban area.

When you speak about the daily use of internet, those who lives in urban areas are more exposed to use internet daily or almost

daily, in comparison with those who lives in rural areas:. This represents a summary of UE, which knowing the position of Romania in some kind of tops doesn't represents a hypothesis inconvenient for us.

With all these, when people use internet at home/office or school, the general pattern of the access to internet in rural areas have a similar trend with those in metropolitan or urban areas.

People who lives in rural areas of Europe are more exposed to use internet at home (69%) than at office (41%) or at school-university (19%), public point of access (1 %) or by mobile phone (9 %).

We can not talk easily about the electronic commerce use in different areas equally maybe with urban/rural styles of life.

The present study comes to stimulate the implementation of digital economy within the rural area and wishes to reveal that this may be a solution to increase the competitiveness and sustainable development.

In the article published by Ioan Varga, in business forum it is outlined that regarding modern digital implementation of technologies we are on the top in urban environment, but the rural one remains in the last century.

The results of a poll done by Gallup in 2010, shows that 52% of Romanian households had at least one computer (7% even more) .The UE average was of 74%, but in 2006 only 26% of families owned a computer as compared to 60% at European level.

The economic approach of the implementation for the information technology for the development it's very wide and can not be property realized without giving more importance to the rural space.

A brief assumption of this idea belongs to the American professor Gary S. Becker, Nobel price winner for economy in 1992, based on some studies and long analyses exposed in reference papers, sustains that: "live has revealed the conclusion that in contemporary economy, characterized throughout multiple interdependence and more closed to together and through a very special dynamism, almost all the areas need also an economic approach.

As Nicolae Georgescu Roegen said "on one hand resolving the deciding problems of the environment are very connected to the scientific, technologic and informatics progress of human society, but in the same time only the existence of generalized progress of human race, can not resolve automatically the ecologic problems, which all the people and the accelerate development of humanity starting with the Industrial Revolution which created them [4]. The deciding point is representing by the will of human society, to resolve the existing problems.

In this way, the will may drive to the implementation of digital economy in the rural areas, project that can be considered a new chance for economic prelaunch.

We have to believe that the revolution which digital economy, the information and communication technology can bring in the rural area for reducing the urban-rural differences. Most of the citizen, for example "Questioning the "rural" adoption and use of ICT's" written by Rosemarie Gilligan [5] but also the "Business adoption of information and communication technologies in the two-tier rural economy" written by Mitchell S. and Clark D. suggest that digital economy represents the potential to exclude the distance handicap regarding the location interaction. [6].

Because of the development of virtual space based on the internet, the interaction between the distanced people is easier, online payments and other activities such as information and document sharing online, physical transport being useless among the few sources which shows an unequal usage of digital economy between urban and rural area, are the national studies which take place especially on other continents: Australia, Canada and US (works of Hollifield in 2003, Wadden in 2000 and Ramirez in 2001)[3]. This shows examples of differences in adopting the electronic field between the rural and urban area, but the particularities of Central and Eastern Europe and Romania are not developed yet.

At national level the term is highly traded, we can mention here professor's Dumitru Patriche's book "Rural Trade" and Mircea Dute "Between to be and to have" which identifies the need of reliable solutions for balance regarding the third thousand year

from Christ's burned. As Alvin Toffler says "the third wave" could generate more richness than the present economy or industrialism than ever. They could increase not only the monetary richness also the human one – the untold richness also in money witch we create for us and for our beloved ones [7].

As far as the digital economy is an irreversible process it is opening a new perspective for development by offering great opportunities mostly for rural areas and this is to be noticed in other economies too.

The implementation of digital economy within the rural area will allow enlargement of competitive environment with the help of digital economy so necessary for development of markets specific for free economy, the backing the sustainable development of the rural community [6].

Actions that have to be taken considering that the rural area is disadvantaged and the encouraging of the digital economy will open new horizons and will increase the attractive level for the investors and the potential clients, improving the life level of the locals, resulting a diminution of the differences compared to other rural areas from Europe.

According to European Commission report, the growth potential is high in Romania's case and this growth also comes from the rural area based on the high added value production. Even according to this advantage, the differences between the rural and urban areas are big, therefore there will take many years to diminish them and the period depends on the attention that is given to this space. The same phenomenon is also available in the transition which is confronted and will be confronting with big difficulties and because of the environment, the social tensions and emigration tendencies will accentuate.

Just like the way in which Stefan Masu presents in this book [8], "The human being of the 21 century and the world government", the actual tsunami of the world economy, firstly set up as a unconfirmed optimism, like a 2008-2010 crises", establishes with an unwanted logic the failure of an inadequate and un adapted economic development which consumes the natural resources and condemns to poverty the majority of the population. Even though in the last 50 years of the 20 century the world production has

raised 6 times and the world population only 2 times, the differences between nations and within the nations accentuated, becoming a source of concernment and potential conflict. From this point of view, the information and communication technology and the implementation of digital economy in the rural environment can be a development solution and diminution of the urban-rural discrepancies.

Regarding the adapting of the digital economy by implementing the information technology and communication and the utilization of this technologies in the rural communities called by argued by the fact that the people that live in the rural area have more restrictions regarding the every day activities and have less access to information, goods and services compared to those who live in the city.

The quality studies that we made in the rural areas suggest that there are different and interesting motivations that are not questioning the needs of the people who live in the rural communities in adopting and using the information and communication technology and are somehow different from the motivations of those who live in the urban areas.

In fact, the use of this technologies may have a great impact in the life of a person that lives in the rural community compared to the people who live in the urban areas because the person who lives in the rural area can have, with the help of the informational technology, access to information, goods and services that the person could not have access in the past.

3. Conclusion

By better understanding the needs of the people which live in the rural area we will have a better view of the new products design of the information technology and in the computer applications for the users from the rural area.

A day by day activity, regardless the place you live is shopping. For example, in the rural areas the chain stores that we see in the urban centers are missing, and in certain rural communities the supermarkets, the clothes, music stores, the bank can be missing. As a result the people who live here have less choices when there comes to buying products

and services and can not be able to make a good deal, as in the urban markets. In addition to this arguments we could ask ourselves if the internet can offer a larger variety of goods and service, which are available in the small rural communities and at competitive prices. I believe we can. Beside the outlined problems, we must pay attention at the way the rural term is defined and in what the rural concept consists. In fact there is no universal definition for the term "rural". As the specialty literature says, we can see that there are different typologies about the rural area, different types of people that live in rural communities and different ways in which the "rural" term is defined for statistic purposes.

To reach the best solutions we have to take into consideration all the alternatives to address these challenges using scientific methods.

Most problems or difficulties that come out in cities are related to durability and quality of life [9].

However some rural areas especially those that are far away, depopulated or addicted to agriculture will have difficulties facing new challenges in the coming years.

With all this I try to close the circle of ideas with the thesis of Patrick d'Humieres according to which "sustainable development will kill capitalism" in the sense that the present crisis already makes possible the succession of eco-capitalism after the dying of financial capitalism".

We must convince ourselves of this thing that not everyone is aware of the fact that old systems died.

The old world's mechanism is crushed. Is the same about the globalization that we have known for thirty years. Sustainable growth is what brings progress, improving living standards for all. Sustainable globalization is the one in which each of us by development contributes to the others development.

If we intend to save capitalism it must become once more one and the same with progress and not with regress.

4. Acknowledgement

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The Contribution of EU Cohesion Policy to Regional and Global Growth

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Abstract

The Cohesion Policy is the most important of the EU Policies in terms of regional development and growth, using the majority of EU budgetary resources for this purpose. The current study tries to outline the major contribution brought by the present Cohesion Policy to EU regional and global growth as compared to the former one and tries to suggest some improvements to be done in the future.

Key words: cohesion policy, macroeconomic models, regional development

J.E.L.classification: R10

1. Introduction

Cohesion Policy has a broad vision. This vision encompasses not just the economic development of lagging regions and support for vulnerable social groups, but also the social and environmental sustainability of development and respect for the territorial and cultural features of different parts of the EU. The breadth of vision is reflected in the variety of Funds, of programmes, of areas of intervention and of partners. In terms of the regional economy, Cohesion Policy has created some 1 million jobs in enterprises across the EU, as well as perhaps adding as much as 10% to GDP in Objective 1 regions in the EU- 15. As various studies indicate, this tends to boost the trade and exports of net contributor countries, offsetting their contribution to the funding the policy

2. Using macroeconomic models to estimate effects

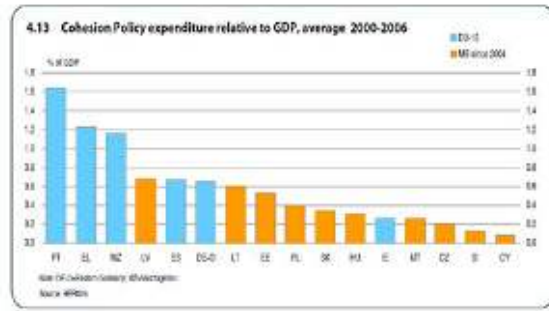
Cohesion Policy aims to improve the economic performance of regions in terms, in particular, of GDP, employment, productivity, investment and the trade balance. Since these

and other macroeconomic factors interact at the regional, national and EU level and are affected by a range of influences both internal and external, the only way of examining the effect of Cohesion Policy on them is by using macro-economic models.

Two macroeconomic models —HERMIN and QUEST— are used to do this concentrating on the convergence objective [1]. HERMIN is a macro econometric model with neoclassical features on the supply side. QUEST is a New-Keynesian micro-founded dynamic general equilibrium (DGE) model with endogenous growth. The use of two different models with very different assumptions about how economic forces work makes the results more robust. Nevertheless, it must be borne in mind that both HERMIN and QUEST do not measure the impact of policy, they model it. So far as possible, the properties of the model are in line with empirical evidence, though this is not always unambiguous. However, the incorporation of a number of assumptions about the workings of the economy, even if reasonably plausible ones is inevitable. [2]

Like any evaluation method, macroeconomic models have their strengths but need to be used with other evaluation methods to complete the picture. This especially so, since Cohesion Policy has goals which go much further than only GDP growth. Any assessment of macroeconomic impact must start from the actual expenditure funded by Cohesion Policy (Figure 1). Since funding in the EU- 10 countries only became substantial after they joined the EU in 2004, Spain, Portugal, Greece, Ireland and the regions in East Germany and Southern Italy (Mezzogiorno) were the main recipients in the 2000–2006 period.

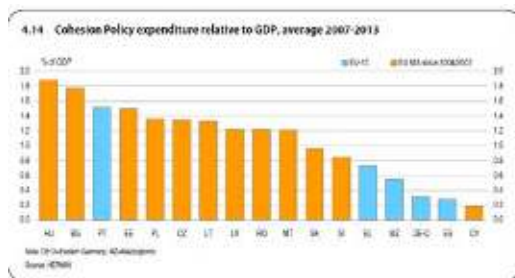
Figure 1: Cohesion policy expenditure relative to GDP, average 2000-2006



Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe’s future”, European Commission, november 2010

In the 2007–2013 period, the situation is very different. The EU- 12 countries now account for just over half of Cohesion Policy expenditure, with much of the rest going to the EU- 15 countries or regions listed above (Figure 2)

Figure 2: Cohesion policy expenditure relative to GDP, average 2000-2006



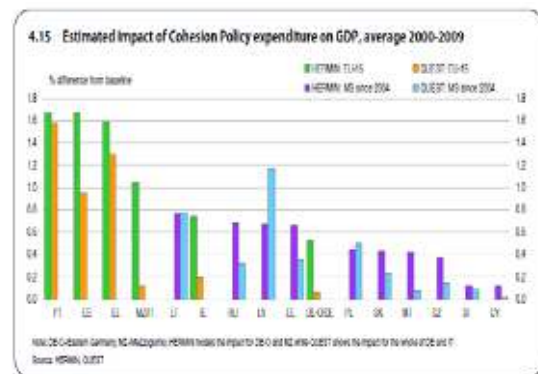
Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe’s future”, European Commission, november 2010

3. Macroeconomic impact of the 2000–2006 programmes

When assessing the impact of Cohesion Policy, there is a need to distinguish between the short-term (largely ‘demand-side’) effects and long-term (largely ‘supply-side’) effects. The short-term effects occur during the period when the programmes are being implemented. Expenditure on, for example, road construction or training schemes, tends to boost output and employment (e.g. of construction workers or trainers) which creates additional demand. As firms as well

as individuals earn more, they also invest and consume more, which further adds to output (the so-called Keynesian multiplier effect). This effect largely occurs in the implementation period when expenditure is taking place, though can extend beyond it because of multipliers. For the 2000–2006 programmes, the implementation period lasted until the end of 2009 (Figure 3)

Figure 3: Estimated impact of Cohesion Policy on GDP, average 2000-2009

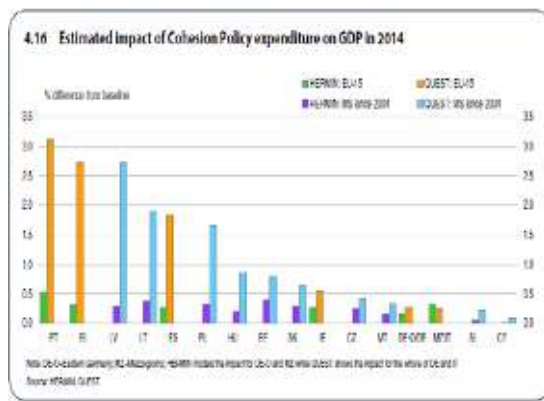


Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe’s future”, European Commission, november 2010

The demand-side effect can be seen in the HERMIN model especially which has a strong focus on this. According to HERMIN, Cohesion Policy is estimated to increase GDP in the main recipient Member States by an average of 1.2% each year over the course of the spending period. These effects, it should be emphasised are cumulative, so that by 2009, GDP in these countries is estimated to have been around 11% higher than it otherwise would have been as a result of Cohesion Policy. As would be expected, the impact in the different countries is closely related to the scale of funding. However, there are differences in the results of the two models. In HERMIN the financing costs of cohesion spending are ignored. In QUEST the EU- 15 Member States also contribute to the financing costs of Cohesion spending and as a result *net* Cohesion receipts for these countries are smaller than the gross receipts shown in the section above and simulated in HERMIN. Also, in QUEST, the stimulus to demand is estimated to be less than in HERMIN because Cohesion expenditure leads to real appreciation of exchange rates

(in those countries not part of the Euro zone) and crowding out of some private expenditure and therefore the effect on output is smaller. The shortterm demand-side effect, though positive, is not the ‘raison d’être’ of Cohesion Policy, which is to bring about structural change and long-term growth through ‘supply-side’ effects — a better transport system, a stronger enterprise base, an increased rate of innovation and more skilled people. These effects in improving the productive potential of regional economies are long-lasting. The estimates of the two models of the effect on GDP of Cohesion Policy for the 2000–2006 period in 2014, 5 years after spending came to an end, again differ (Figure 4).

Figure 4: Estimated impact of Cohesion Policy expenditure on GDP in 2014

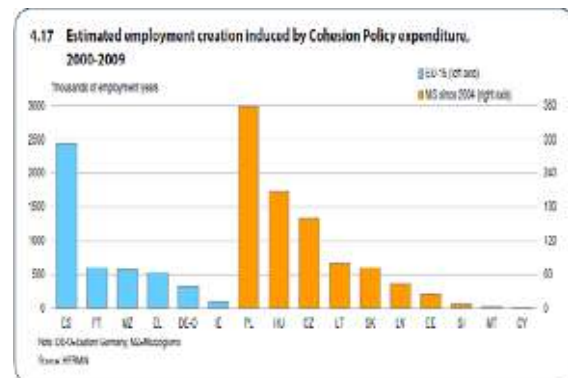


Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe’s future”, European Commission, november 2010

In this case, QUEST estimates the effect on GDP to be bigger, largely because, being an endogenous growth model, it captures the impact of investment in human capital development and RTD on growth. HERMIN, on the other hand, assumes that the effect from investment gradually declines over time. The clear message, however, is that, under different assumptions about how economies work, Cohesion Policy has strong effects on GDP and growth — both in the short term and in the long term. Even under the HERMIN model’s more conservative assumptions, Cohesion Policy over the 2000–2006 period resulted in a return of EUR 2.1 for each euro invested. According to QUEST, the return in 2009 is the equivalent of EUR

1.2 per euro invested. However, by 2020, the return is estimated at EUR 4.2 per euro invested. Cohesion Policy also helped to increase the level of employment. HERMIN estimates that in 2009, the number employed was 5.6 million higher as a result of policy in 2000–2006 (Figure 5), or an average of 560 thousand more a year than without Cohesion Policy.

Figure 5: Estimated employment creation induced by Cohesion Policy 2000-2009

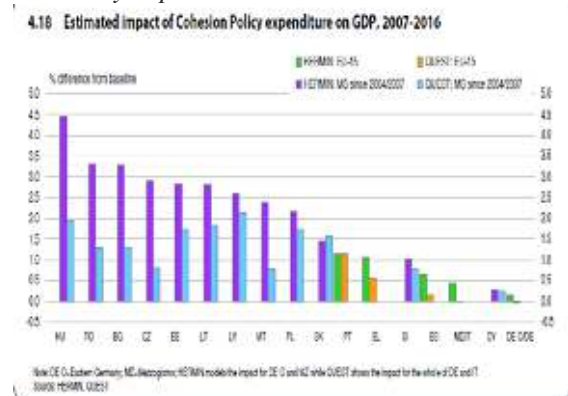


Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe’s future”, European Commission, november 2010

4. The macroeconomic impact of Cohesion Policy 2007–2013

As a result of larger funding in the EU-12 in the 2007–2013 period, the expected impact of Cohesion Policy on their GDP is much bigger than in 2000–2006. As before, HERMIN estimates larger demand effects during the period, though the effects estimated by both models are significant for all countries and in line with spending (Figure 6).

Figure 6: Estimated impact of Cohesion Policy expenditure on GDP 2007-2013



Source: Fifth report on economic, social and territorial cohesion, „Investing in Europe's future", European Commission, november 2010

Again, there are significant and persistent long-run effects on GDP estimated as well as a substantial impact in the short-term. The application of a HERMIN-type model in Poland shows that these results are reproduced at the regional level⁷². Estimates of the cumulative results of expenditure in 2004–2006 and 2007–2013 indicate that all Polish regions are likely to derive considerable gains to GDP from Cohesion Policy. The gains depend in part on the scale of spending, but also on the economic structure and spending profile of the region. Central and western regions, with sizeable manufacturing sectors, are estimated to benefit most, while eastern regions with large agricultural sectors and smaller and less efficient manufacturing sectors the least, although the estimated effects here are still significant, ranging from 8% to 12% of GDP.

5. Impact on net contributors and on the EU-27

Cohesion Policy, of course, also affects the countries which are net contributors and, accordingly, have higher taxes than they otherwise would in order to provide the finance required. The countries concerned, however, tend to have more advanced economies, producing many of the kinds of capital goods and services that are required by the net recipient countries as they develop. As a result, the effect on them of needing to raise finance is mitigated by their increased exports [3]. This is confirmed by the HERMIN model, which indicates that the boost to exports is significant, though more in some countries than others, depending on trade relations [4]. For instance, France and the UK gained considerably from their relative high trade with Spain and Ireland, respectively, while Germany exports relatively large amounts to most of the net recipient countries.

The QUEST model has been used to estimate the net effects of Cohesion Policy on the EU economy as a whole. The cumulative net effect on the GDP of the EU-25 of the 2000–2006 programmes expenditure is estimated at 0.7% in 2009 (i.e. GDP was higher to this extent as a result of

policy). This was estimated to rise to 4% by 2020. In the EU-15 alone, the estimate is a cumulative net effect on GDP of just over 3% by 2020.

6. Conclusions

Nevertheless, there is room for improvement: grants to enterprise and R&D are a useful tool, but too often in the past they have been used at the expense of other instruments. The trend towards a more balanced mix, including financial engineering (loans and venture capital) as well as 'indirect' instruments (i.e. non-financial instruments such as advice, networking and clustering) is a welcome one. The European Commission, in close partnership with the EIB, is actively encouraging such diversification through initiatives such as JEREMIE, JASMINE, JASPERS and JESSICA.

In addition, past Cohesion Policy investment in motorways and roads in the less developed parts of the EU-15 means that the job is now largely done. Investment should shift towards more environmentally-friendly modes of transport (notably rail and urban transport systems), though in the EU-12, the need to improve transport links considerably remains a challenge. Cohesion Policy needs to cultivate a focus on performance. This has to start from programmes identifying only a limited number of policy priorities (concentration) with a clear view of how they will be achieved and how their achievement will contribute to the economic, social and territorial development of the regions, or Member States, concerned.

Monitoring and evaluation systems need to be improved across the EU to track performance and to help redirect efforts as necessary to ensure that objectives are attained. This requires a clear strategic vision of what the programme aims to achieve and how success will be recognised and measured (proper target setting). It also requires a greater recourse to rigorous evaluation methods, including counterfactual impact evaluation, cost benefit analysis, beneficiary surveys, as well as a more rigorous use of qualitative methods, such as case studies.

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The Added Value of EU Cohesion Policy

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Abstract

The Cohesion Policy is the most important of the EU Policies in terms of regional development and growth, using the majority of EU budgetary resources for this purpose. The current study tries to analyze the major sources that generate the added value brought by EU cohesion Policy to member states regions.

Key words: regional development, growth, convergence, cooperation

J.E.L.classification: R10

1. Overall effects of cohesion policy

Cohesion policy has both redistributive and allocative effects: It transfers resources to the poorest regions (81.5% of total means available for cohesion policy are allocated to convergence regions) (As a result, for each euro the EU invests in the more developed regions more than 9 euro are invested in the less developed ones.)

It supports new actions in favour of growth, jobs and sustainable development across Europe, both inside and outside the convergence regions (The 2007-2013 programmes were designed to support the delivery of the Lisbon and Gothenburg priorities in all regions of the EU, supported by a process of setting targets for the share of resources to be "earmarked" for these priorities.) There is therefore a clear contribution to EU priorities.

It produces spillover effects from convergence regions to the rest of Europe, via increased trade flows.

It induces – through its delivery system – institutional and administrative change, promoting long-term planning, mobilising a wide range of partners, diffusing a culture of evaluation and monitoring of public policies, and reinforcing control and audit capacities.

Analysis of the performance of cohesion policy in 2007-2013 shows that the policy has an even stronger added value in many Member States in the current economic crisis [1].

The policy provides resources to maintain public investment in the context of pressures on domestic budgets. In some cases (e.g. Poland), cohesion policy has helped to protect against economic upheaval through maintaining domestic demand and high levels of investment, while in Latvia and Bulgaria the policy represents the only anti-cyclical measure in place. France has used EU cohesion funding to accelerate implementation in such areas as sustainable development, digital infrastructure and energy efficiency for housing.

Cohesion policy is also instrumental in the establishment of a dialogue among the partners (EU/Member state/region/local) on development strategies and their implementation, which otherwise would most likely not take place. As outlined in the report from Professor Monti on the single market [2], all EU regions will continue to experience a mix of opportunities and adjustment needs with the expansion of the single market. Cohesion policy has stimulated trade flows, upgraded infrastructure and enhanced mobility of goods and services, has influenced the choice of location for economic activities, and has ensured that environmental standards enjoyed by European citizens are applied, contributing thus to reduce the development gaps between economies.

Trade between the EU12 countries and the rest of the Union has experienced a dynamic development over the course of the last decade. Part of this growth reflects the gains which other countries have drawn from the structural support allocated to poorer regions. According to the macro economic model designed to estimate the combined effect of levying taxes to raise the necessary

revenue as well as of the expenditure [3] the Structural and Cohesion Funds are estimated to have increased economic growth across the EU27 as a whole. The GDP of EU27 is predicted to increase by about 0.2% at the end of the current programming period

2. Contributing to growth in convergence regions

The results of two macro economic models (Hermin and Quest)¹⁶ find that the **Structural and Cohesion Funds have had a substantial effect on economic growth in convergence regions**. This is the case in Greece, Portugal, Spain and, to a lesser extent, Ireland, as well as in Southern Italy and Eastern Germany and in all of the EU10 countries.

In the EU10 countries taken together, the models estimate that GDP in 2009 was almost 5% higher than it would have been without Structural and Cohesion Fund support, despite the short 2004-2006 programming period in these Member States.

A recent academic study of the dynamics of regional GDP growth in the EU15 between 1995 and 2006 [4] found a sharp discontinuity between those regions in receipt of Objective 1 funding at the beginning of the period and the other regions. Comparing regions near the eligibility cut-off, per capita GDP of Objective 1 regions grew an average of 0.8-0.9 percentage points more than similar regions on the other side of the cut-off. This implies an extra 10-12% on GDP over the two programming periods. In Eastern Germany, an innovative study compared enterprises assisted to similar non-assisted enterprises. An average grant of €8,000 per employee generated around €11-12,000 of additional investment, demonstrating the clear leverage effect [5].

Closing of the gap has been achieved also by improving connections between the more less and more developed parts of the Union via the upgrading of the motorway and railway systems, notably the transport networks:

In 2007-2013, cohesion policy is investing €75 billion in improving transport systems in convergence regions.

In the 2000-2006 period, 60% of the existing and new motorway network in the EU12 was co-financed by the funds, but

needs remain significant, as illustrated by the fact that the density of the network in the EU10 was at just 34% of the EU25 average in 2006, up from 31% in 2000. The rail network has been improved significantly as a result of investments co-financed by cohesion policy. The funds contributed to the construction and upgrade of 7,260 km of rail in 2000-2006. For high speed rail, by 2006, 56% of all network increase was co-financed by the funds, while in some cases, like Spain, all the total increase in network was supported. Reduced journey times have been important, for example, between Rome and Naples (from 114 minutes to 65 minutes), as well as between Madrid and Andalusia (Madrid-Málaga from 240 minutes to 160 minutes).

In short, cohesion policy has strengthened the overall level of investment, growth and economic, social and territorial convergence to an extent which would not have occurred without EU transfers. This has had the effect of strengthening the long term growth potential of the Union, since convergence regions are using the factors of production more efficiently.

3. Smart Growth

Some €80 billion is being invested in support for enterprise and innovation in 2007-2013, the largest field of expenditure in most regions. This includes direct financial aid to investment and R&D, but also, increasingly, non-financial assistance, in the form of networking and innovation systems, business advice and incubators, all of which have been proved to increase the knowledge content of support. Evaluations for the 2000-2006 period recorded: At least 1 million jobs estimated created in supported projects (This happened in the context of an increase in employment in the EU27 of 13.8 million over the period 2000-2007. However, it should be noted that the 1 million figure represents jobs reported created in supported firms and does not take account of displacement or substitution effects. In addition, not all Member States or regions reported against this indicator.)

An estimated 230,000 enterprises (mainly SMEs) received direct financial support - mainly grants but also loans or venture capital.

An estimated 1.7 million enterprises (mainly SMEs) received advice, expertise and support for networking .

4. Green Growth

Even before combating climate change was embraced as a central objective of the EU, cohesion policy started to put in place measures to improve energy efficiency of enterprises (example: Czech Republic) or set up renewable energy production facilities (example: the Azores, Portugal). Future interventions to tackle climate change can benefit from the experience accumulated during the implementation of these investments, even if they do not receive financial assistance from cohesion policy.

Half of the Member States have included indicators for the reduction of greenhouse gas emissions in their cohesion policy programmes for the 2007-2013 period. Austria, Germany, France and Italy have reported a reduction of over 27,000 kilotonne equivalents.

Close to 20 million people now have access to improved water supply as a result of cohesion policy assistance in 2000-2006. Out of the estimated 40 million people whose wastewater has begun to receive appropriate treatment in this period, 23.5 million people are connected to investments financed by cohesion policy. There are numerous examples not only for improved water infrastructure like the drinking water and sewage in the Torysa river basin in Eastern Slovakia or the Dublin wastewater treatment plant, but also establishing specialised systems for animal waste in Hungary or closing hundreds of illegal waste disposal sites all over Europe

5. Inclusive growth

The European Social Fund (ESF) supports the development of human resources and facilitates a better response to local labour market needs and, together with the ERDF, employment possibilities. One third of the unemployed in the EU participated in ESF supported programmes each year.

The ESF supports gender equality, by helping women into employment, promoting their lifelong learning, supporting their participation in science and technology as well as assisting them to start up businesses. In 2000-2006, €4.5 billion ESF, went on measures to promote gender equality and gender mainstreaming. The largest expenditure on gender-related measures was in Germany, accounting for 25% of the total across the EU.

6. Cooperation across the EU

Cohesion policy promotes exchanges and joint programmes between countries and regions. Cohesion policy fosters territorial cooperation in its three dimensions (cross-border, transnational, and interregional). Addressing common problems together allows for a more efficient use of public resources and circulation of ideas and good practices.

The added value of European territorial cooperation lies in the fact that it offers possibilities for joint action which are needed to address challenges that increasingly cut across national/regional boundaries. Territorial cooperation can also provide important contributions to achieving the Europe 2020 strategy by addressing challenges that increasingly cut across national boundaries. In addition, co-operation programmes play an important role in bringing Europe closer to the citizen, given that they allows for regional and local actors across Europe to engage in joint projects and thus in a "European experience".

7. Social Cohesion

Investing in people is not only a core EU policy but also makes economic sense. According to OECD data, the average private and public rate of return on education and training is between 8% and 11.5%, well above most other public investments. Financial support at EU level through the European Social Fund spurs national reforms towards common employment objectives. EU spending in employment, education and social inclusion has helped its capacity to leverage additional public and private funding, which would otherwise not have

been channelled to these areas. By concentrating on the modernisation of labour market and education institutions in a systematic way, EU programmes allow every euro spent to support on the employability of a higher number of people. Over the period 2000-2008, the ESF supported approximately 76 million people and 1.7 million organisations. ESF participants have been recruited into one in four of all new jobs created and the ESF was directly responsible for half the progress made on the EU-level life-long learning benchmarks. (The data presented in this section comes from the ESF ex-post evaluation as well as 2009 data from MS provided in annual implementation reports.)

Each year over the 2007-13 programming period, projects funded by the ESF are estimated to help 1.7 million people into employment (two-thirds of people supported by the ESF are unemployed or inactive; 10% are long-term unemployed; more than half are women and about a quarter are under 25.

Under the 2007-2013 programming period, young people are supported in all Member States and in 91% of the ESF Operational Programmes, accounting for 68% of the budget. Between 2007 and 2009, 5.8 million young people have benefitted from the ESF through training or mentoring

The benefits of building the human capital of future generations of workers are usually felt in the long run and are often difficult to estimate. The stability of the EU programming periods offers all actors a *stable environment* to undertake the necessary long-term strategic planning required in employment policy, often compensating for the fact that domestic funding tends to be more vulnerable to short-term shifts.

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A Review of the Research Methods Used to Study the Tax Compliance Behaviour

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Abstract

Tax compliance has grown in a very important subject of research, especially in the last 15 to 20 years and the methods of research used to better understand the behaviour of taxpayers have evolved during time. Research on the matter has adapted to the need of proving the utility of the theories elaborated through real, empirical data.

This paper aims to describe the methodological context of tax compliance research, through the examples provided by a selection of articles which have approached the subject. The information presented could help especially researchers interested in understanding taxpayer behaviour, by offering some starting points for conducting a research on the matter.

Key words: behaviour, tax compliance, research methods

J.E.L. classification: H26, H39

1. Introduction

The study of taxpayers' behaviour has been in the attention of many specialists in economy and the research methodology used is quite diversified, in order to better understand their behavioural features.

Most of the articles studied concern the individual taxpayer and his behaviour towards income reporting or paying the income tax, in short term, individual tax compliance.

The first approach of the subject uses modelling in order to illustrate the complex nature of what constitutes the compliance behaviour of taxpayers. Empirical research in the field, through qualitative and quantitative methods, began to take shape after 1985, experts beginning to understand that

theoretical modelling, without coming up with real life examples, is not sufficient to explain the phenomenon of taxpayer behaviour. However, even in the latest years, modelling was further used to explain various phenomena related to the nature of taxpayers.

Tax compliance behaviour is illustrated by examples involving mainly quantitative research methods, i.e. surveys, experiments or statistical analysis of existing data sets.

Figure 1: Research methods used in tax compliance research

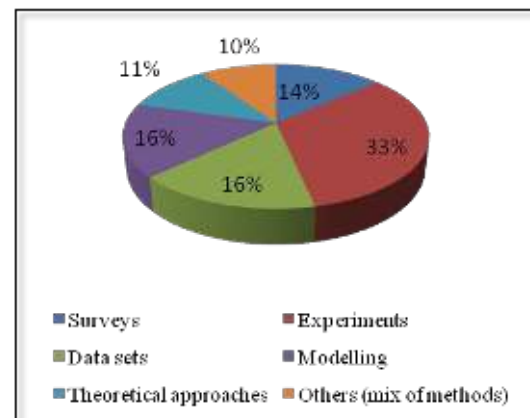


Figure 1 shows that the largest share (63%) belongs to empirical research methods and, among these, experiments and the analysis of existing data sets have the highest percentages: 33% and 16%. The experiments also included those studies in which post-experiment questionnaire used as a supplementary method of data collection.

The purpose of this paper is to review the methodological aspects regarding tax compliance research, by highlighting the methods used by specialists in the past and describing their applicability and utility for the subject.

In the following sections of the paper, each method of research is discussed separately, using examples from the research literature available.

2. Modelling and theoretical approaches

The modelling of taxpayer behaviour is made with the help of simulations based on mathematical equations, at the origin of all the studies that have been analyzed being the work of Allingham and Sandmo [2] and Yitzhaki [51]. The starting point for the equation models is a simple function of the expected utility of taxpayers. To this function are added various economic or fiscal factors of influence [2; 8; 34; 51], but also non-economic factors such as: social norms [19], taxpayers' pessimism [9], the uncertainty or the ambiguity that taxpayers feel sometimes [12; 38], neuro-economical effects [15] or tax morale [46].

Although these models have tried to capture at the very best the behaviour of taxpayers, they are purely theoretical, and often do not capture what happens in practice. The main criticism brought to these models regards the fact that they do not fully describe the institutional environment and the nature of the relationship between taxpayers and tax institutions can not be revealed as it is in reality [25].

In studies after 1990, there can be observed, more and more, the evolving of the models described, by trying to incorporate various factors of influence, and especially non-economic factors that could better explain the tax compliance behaviour.

Fischer et al. [25] consider that the studies based on modelling are useful, especially as a starting point for empirical studies, but cannot provide results in terms of dissemination of causal relations.

To support the theories developed by modelling, some authors have used empirical research and managed to demonstrate the practical application of the simulations performed by equation [1; 22]. However, the difficulty of testing theoretical models in real conditions it is recognized, caused by the high level of abstraction used in the development of the models, and the lack of direct estimates of certain parameters used in

modelling, so finding the corresponding variables in practice is not really possible [37].

Theoretical studies summarize the major views on tax compliance behaviour, representing an important basis for documentary research on the subject, but also for understanding the conceptual aspects and the definition of basic concepts [5; 24; 25; 39; 49]. Without a careful review of the literature, it is not possible to trace correct empirical research directions.

Both modelling and theoretical studies are extremely important in analyzing the tax compliance behaviour, but they should be always supported by concrete data, obtained directly from those involved in fiscal process.

3. Experiments

The most common choice made by specialists, the experiment, is justified by the fact that taxpayers' reactions can be captured in a way that they do not feel harmed or intimidated. Experimental approach facilitates the problem raised by obtaining honest answers regarding the illegal behaviour of taxpayers [42].

Experiments, in general, are classified in impact studies and judgement studies [25, p. 11]. This classification applies also to the study of tax compliance behaviour. Impact studies refer to situations where participants simulate the actual tax act, and judgement studies refer to the situations where they are asked to imagine a certain aspect, based on a scenario set in advance by the researcher.

Depending on where the experiment is done, there are also two options available to researchers: laboratory and field experiments.

The quality of an experiment is given the degree of validity obtained by the researcher, respectively the degree to which the experiment measures what was originally proposed. Validity may also be of two kinds: internal and external. Internal validity is "the ability to attribute the effect that was observed to the experimental variable and not to other factors" [16, p. 131]. So, if the researcher can demonstrate that the phenomenon studied is caused only by those variables considered as being experimental, the experiment has internal validity. External validity refers to the degree to which the results obtained by the experiment can be

generalized to the actual population or situation [16; 32]. Thus, laboratory experiments can provide a greater degree of internal validity, but being considered more artificial, external validity represents the strong point of field experiments. Also, people selected as subjects of study in laboratory experiments are not always representative for real people.

The experiments used in the analysis of tax compliance behaviour are both laboratory and field experiments. Alm, Jackson and McKee [3] support the use of laboratory experiments due to the accurate measurement of individual non-compliance. However, the control over the variables and the conditions in which the experiment takes place provides a high degree of internal validity that helps supporting the results, especially when investigating, for example, the role of government policies on the tax compliance behaviour [6].

Torgler [42] points out that experiments should not be too long or complicated, and instructions must be clear and understandable. He believes that all procedures related to tax compliance and the tax morale have revealed that many taxpayers have a more refined motivational structure than traditional economic theories report. Laboratory experiments, however, do not offer a high degree of external validity, so the conditions created must be as close to real conditions as possible [40; 25] in order to reduce the artificiality [42], but also to obtain the generalizability of the results.

The subjects for laboratory experiments are mostly chosen from undergraduate students or master graduates. This was very criticized by some experts, because students would not be representative of the target market (taxpayers). Alm and McKee [5] emphasize that students' cognitive processes are not so different from taxpayers' in general, so this approach is not a mistake in experiments. They also underline a weakness of this method of research: subjects may change their behaviour just because they know they are part of an experiment.

In order to achieve greater external validity, some of the specialists in tax compliance have chosen the method of field experiments [13; 17; 40; 41; 50]. The use of this method has allowed the extraction of information directly from taxpayers,

eliminating any deficiencies found in the laboratory.

Quasi-experiments can be found somewhere at the boundary between laboratory and field experiments, being often used especially when the researcher's budget is reduced. A feature is considered to be the designation of their participants and their exposure to the treatment, in a non-random manner. In the taxpayer behaviour research, quasi-experiments were carried out either on samples of students or samples of taxpayers, keeping a relatively simple line of experimental design.

Some authors that used quasi-experiments, applied different treatments at the same time, using the same instrument (usually questionnaires that included a practical case) to the experimental groups, relying on the fact that subjects had received individually the research instrument and thus could not realize that they were subjected to an experiment, and also did not communicate with each other [11; 20]. Other authors have used the courses attended by students or taxpayers as the context of ongoing research, thus maintaining some of the characteristics of a laboratory experiment [14; 23; 30; 31].

The highest percentage among the studies analyzed for this paper that approached experimentation as research method is held by the impact studies, with 68% of the total. Also, most of the researches have chosen laboratory experiments (55%), but neither the other types of experiments are less important (field and quasi-experiments): 45%.

4. Surveys and the analysis of existing data sets

As experiments are quite expensive and sometimes time consuming, an alternative research method is the use of existing databases and related statistical analysis.

The research studies have been made particularly with the help of with international databases, which conduct surveys on various topics in a wide number of countries, at an interval of approximately 5 years. In the data collected, there are also questions or surveys which aim taxpayers' compliance behaviour, giving researchers the opportunity to make connections between different variables, at a global level.

Examples of such databases or surveys used in research compliance behaviour are given in Table 1.

Table 1: Databases used in the research of tax compliance behaviour

Database	Authors
IRS databases (Internal Revenue Service from USA)	Dubin, Graetz, Wilde, 1987; Ali, Cecil, Knoblett, 2001
European Social Survey	Lago-Peñas, Lago-Peñas, 2010
European Values Survey	Alm, Martinez-Vasquez, Torgler, 2006; Torgler, Schneider, 2007
International Social Survey Programme	Torgler, Schneider, Schaltegger, 2010
The Global Competitiveness Report	Riahi-Belkaoui, 2004; Richardson, 2006
Taxpayer Opinion Survey (IRS)	Torgler, 2003
World Competitiveness Year Book	Riahi-Belkaoui, 2004; Richardson, 2006; Tsakumis, Curatola, Porcano, 2007
World Values Survey	Torgler, 2003 ; Alm, Martinez-Vasquez, Torgler, 2006; Alm, Torgler, 2006; Torgler, Schneider, 2007

The survey is an option taken in consideration by many experts, as the use of questionnaire as research instrument would satisfy most validity conditions in quantitative methods [26]. Moreover, a considerable number of experts have chosen the survey to obtain data necessary for describing the tax compliance behaviour (approximately 14% of the studies addressed). In addition, there are studies in which the survey is completed by a second research method (described in the section next topic) and those who have approached their research by experimentation have almost always used the questionnaire to collect certain data [23; 28; 30; 33; 40; 47].

The advantages offered by questionnaire-based surveys, in general, refer to having a direct contact with the respondents, especially during surveys which take place face to face, but also the possibilities offered by sampling, the researchers managing to determine with a better precision the

population and representative sample. However, for sensitive topics such as the behaviour of taxpayers, direct contact may turn into a disadvantage, inhibiting and reducing the likelihood that the respondent's answers are honest. Also, the interviewer may face the refusal of the target population to answer to the questionnaire.

If the questionnaire is chosen to be the research instrument, the questions should be carefully constructed in order to get answers as sincere as possible; gradual questions, less direct, get better answers in terms of honesty [26]. Even if the answers on non-compliant behaviour seem to be sincere, there is also the issue given by a discrepancy between what taxpayers believe that non-compliance represents and how it is viewed by the authorities [25].

The costs of a large scale survey are also not to be ignored, and the time needed for data collection, which sometimes exceed the limits imposed by the researchers.

5. The mix of methods

The mix of methods contains at least two research methods, quantitative or qualitative. The most common choices in building a research methodology refer to the use of existing data sets alternated in the same research with modelling [1; 22] or experimentation [18].

An interesting choice, which has many advantages, is the use of the experiment and the survey in the same research. Dijke and Verboon [20] tested two hypotheses in their study, by two different research methods (experiment and questionnaire-based survey), managing to obtain similar results, thus providing a degree of trust and a greater support of the conclusions offered. Both experiments and surveys have strengths and weaknesses in the explaining of tax compliance behaviour and using both in a single study can eliminate those "deficiencies" that occur when they are used separately.

Of course, the qualitative methods approached must not be forgotten, but they are hardly ever used and always in parallel with a quantitative method. Thus, scientists have used case studies [27] or focus-group research [10].

Gërzhani [26] makes several criticisms regarding the use of other research methods, especially the qualitative ones. For example, the observation is more difficult to apply in this case because non-compliance cannot be studied by a simple analysis or observation of the interaction between people. The author also reveals the possibility of using interviews, but their main disadvantage is the lack of anonymity.

6. Conclusions

The subject of tax payment is quite sensitive, especially from the perspective of taxpayers. Therefore, the choice of the research method can be difficult, and the investigator must be very careful because people are reluctant to question too direct like "Do you pay your taxes?" [26], the main obstacle being dishonest answers.

The choice of the research method to study taxpayers' behaviour depends a lot on the country-specific, the tax system, political regime, but also on the budget and time available for each researcher.

As no method of research has proven to be the best or the worst choice when dealing with tax compliance, researchers should to choose the method or the mix of methods that better fit the context of the research and the population studied.

As future directions of research regarding the methodology used to study tax compliance behaviour, each method described in this paper could be approached separately, for a better understanding and dissemination.

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Distance Education Strategies for Rapid Business-Related Vocabulary Acquisition

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Abstract

Nowadays, distance education has become a genuine science because it is targeted at a different audience which is comprised of a series of generations. Distance education learners are people who enrol for undergraduate university degrees with an aim to get access to further education in order to either maintain or change their workplace. Motivated by these goals, learners perceive distance education as a means of acquiring and developing knowledge. In order to increase and enrich the quality of this type of education. To increase and enrich the quality of this type of education, universities have dedicated a full course which simultaneously envisages a theoretical background, a practical study method and a series of pedagogical tools. Thus, an interactive pedagogical instrument is at the core of teacher-mediated and individual instruction. At present, printed documents are sent via the internet, a trend which facilitates both autonomous and interactive education. The internet becomes a vehicle for sending learning and teaching materials. It is not the mass media resources that influence the learning process that a student or an intern is engaged in, it is the way that the educational resources are presented. By creating a real life working environment, instructors involve their students in business simulations to develop business communication skills and gain full knowledge of business-related vocabulary.

Key words: employees, distance education, interactive, business vocabulary, simulations.

J.E.L. classification: I21

As a result of the current financial crisis, employees feel forced to continue their studies and acquire a wide range of qualifications. To facilitate their acquisition and disseminate knowledge in a pedagogical environment, universities have resorted to distance learning which takes the form of both initial and further education programmes. When teaching business vocabulary to adults employed by various business organizations, the specialized business terms must be correlated with ordinary language terms. The study of the business discourse does not only involve the study of a hermetic terminology because this type of specialized vocabulary is closely related to ordinary life. “The business discourse is based upon current language terms. It is a link between two riversides which are connected by a bridge. This bridge is sometimes explicit, implicit or imaginary.”

Distance education has become a genuine science in our contemporary world. Universities have dedicated a full course which simultaneously envisages a theoretical background, a practical study method and a series of pedagogical tools. Distance education is a system which resorts to media as an educational tool to provide information; yet, the word “teleuniversity” is not synonym to “educational television”.

The first question to ask is: what are the criteria to be met by distance education to become a high-quality educational system? Obviously, mediated or individual learning processes cannot become part of distance education unless they are integrated into a series of learning activities and into an interactive educational setting. Generally, teaching in a distance learning classroom follows at least five steps: the writing phase, the editing process, the distribution of the course, the placement and assessment of the

students. That is why distance education is defined as the set of techniques applied before the direct pedagogical interaction between teachers and learners.

For more than a century, correspondence education has provided education for students, whose textbooks have been delivered by post. Nowadays, audio and video recordings are also sent through the postal system. However, the development of electronic communication networks has generated a change in the distance education system which now offers electronically mediated courses and provides both autonomous and interactive learning and teaching styles.

On the one hand, self-study programmes include printed or recorded courses which are created in advance; the distance education network will have as a unique purpose the distribution or download of the educational software and exercises. On the other hand, interactive education places teachers in direct or indirect contact with their students which aims at providing academic knowledge.

We have stated that there is an implicit bridge which correlates business and current terms in a business discourse. We mean that there is an analogical rapport which allows the use of common terms with a specialized connotation. Among the terms which the teacher first introduces to business students mention should be made of the following: *acteurs, branche, branch, entrepreneur, stratégie, strategy, demande, demand, offre, production*, etc. Sometimes the term *acteurs* (actors) may be replaced by the term *personnage* (characters). Thus, there are texts entitled *The Entrepreneur, a Key Character* or *The Main Actors in Balneo Tourism*.

Metaphors are frequently used. For example: *branche d'une industrie / branche d'un arbre; exode des capitaux / exode d'un peuple; érosion monétaire / érosion d'une falaise; cadre supérieur / cadre d'une armoire; les acteurs de l'entreprise / les acteurs du théâtre*. Careful attention should be paid to the way these metaphorical terms are translated into Romanian. For example, the ordinary meaning of the word *taux* is *weight*, while the specialized meaning of the same word indicates a rapport between prices, salary and lifestyle. Its Romanian equivalent is *rată*; yet, the phrase *taux de*

change means *curs de schimb*, while *taux d'escompte* means *rata/taxa scontului*.

The morphological resemblance and the semantic closeness between terms can erroneously determine us to interpret these terms as being equivalent synonyms. Let's analyse the terms *dévaluation/devaluation* and *dépréciation/depreciation*; not only do they have in common the prefix *dé/de*, but they are also derived from the nouns *valeur/value* and *prix/price* which have almost the same meaning. However, they are not equivalent synonyms because each is used in a certain specific context: the word *dévaluation/devaluation* is used in a fixed exchange rate system, while the word *dépréciation/depreciation* is a term used in a floating exchange rate system. The nouns which are preceded by *télé* provide a similar example. *Télévente* means *teleshopping*, while the meaning of *télévirement* is *electronic money transfer*.

There are also business terms which are frequently used in plain language, which have totally different meanings in a specialized context. For example, the plain meaning of the term *entrées* is *outings*, while its technical meaning is *goods, services, income*. These metaphors are taught to distance learning students either by means of workbooks or directly in the classroom.

The main characteristic of distance education is that there is mediated communication between the teacher and the learner. The educational resources used to send information should be more than enough. However, practice shows that none of these educational resources, if used exclusively, do not satisfy the criteria for the pedagogical efficiency required by both students and teachers. These criteria can be met by combining educational information resources. Course mediation necessitates the adaptation and transformation of all educational information resources. The role of distance education is to use these resources to develop pedagogically effective learning environments. One of the common methods used in modern distance education is web content recommendation. Teachers indicate websites that students can access and explore. A very useful teaching resource is the website designed and built by Lafarge, a French enterprise located in Medgidia which produces cement. Students are thus exposed

to a wide range of business-related vocabulary such as terms referring to cement production, finance, human resources or company structure. This electronic teaching and learning tool replaces or recreates the social working environment that students need to become expert performers in the instructional process.

The role that educational resources play within distance education can be synthesized as follows:

- providing a vehicle for transmitting learning materials and the educational information resources;
- delivering the teacher's educational discourse;
- representing certain relevant aspects of reality which become observation, study and analysis instruments;
- providing students with full support to successfully complete their educational programme.

It is not the way educational resources are sent that influences the learning process that a student or an intern is engaged in, it is the way that these educational resources are presented.

Specialists and experts dealing with distance education have managed to develop a descriptive grid which shows the characteristics of the educational information resources they have studied: printed books, radio, television, audio and video materials and telematics.

One of the most frequently used methods is simulation, ranging from phone conversations to complex simulation activities whose objective is to set up and run a small family-operated business such as a flower shop, a bakery, etc. Business simulations place students in the role of a business owners and give them the opportunity to participate in everyday life situations, interact with their colleagues, communicate in a business context, develop business communication skills and prepare to succeed in passing any business examinations. Simulation activities build students' self-confidence, help them present their arguments for and against a business proposal, put forward their views in a persuasive way, present plans and projects to their colleagues in a professional manner.

The educational purpose of foreign language teaching within a distance education system is influenced by two major perspectives, which are both complementary and contradictory. The Common European Framework of Reference for Languages focuses on the primary communicative and functional objective of language learning and teaching and integrates the concept of task into the term „actional perspective”.”This perspective mainly focuses on users and language learners who are social workers in charge with various tasks, which are not always language-related, under a certain set of circumstances and in a given environment. If speech acts are performed during language activities, they become part of the action itself and of the social context.

Global simulation becomes a complex pedagogical tool whose main purpose is to live entirely “globally” in a context where the participants are imaginary characters from start to finish.

Up until 1987, there were two generations of distance education, which were based upon the following resources: correspondence, printed texts, radio and television. In 1987, a third generation of distance education emerged with the introduction of computer-assisted communication. Due to the implementation of multimedia systems, the computer has managed to combine printed texts, images and sounds in a two-way interaction.

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Organizational Management, Efficiency, Efficacy and Competitiveness

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Abstract

Management guarantees the increase of functionality and competitiveness of the companies and it has an impact of organization efficiency and efficacy. A performance management uses an approach that joins the two concepts, at strategy level. Also, competitiveness is an important concept that represents the essence of progress, setting quality and price standards, determining the growth of productivity, supports innovation and improving. The grounds for achieving competitiveness are given by the competitive advantage. It represents the organization's ability to control the competition forces. Competitiveness, efficiency and efficacy of an organization are given by its ability to excel on the market it covers with its products and/or services.

Key words: management, efficiency, efficacy, competitiveness.

J.E.L. classification: M10.

1. Introduction

Management guarantees the increase of functionality and competitiveness of the companies.

A performance management uses an approach that joins the concepts of organizational efficiency, efficacy and competitiveness.

2. Organizational efficiency and efficacy

Economic efficiency represents the main component of all the economic activities, argument sustained by the limited nature of resources. Therefore, economic growth may be obtained

through a better usage of the resources, economic efficiency being the qualitative measure of it – it guarantees absolute growth of the effects with the same volume of efforts, and also achieving a higher living standard for the population.

The contribution of management to the growth of the efficiency takes into consideration factors such as: time, social aspects – immeasurable factors - the circumstances for achieving efficiency (circumstantial approach is required especially by Romania's accession to EU) and organization potential, diminishing the importance of the results of the organization in the analyzed period.

Besides the contribution that management brings to organization efficiency, it also has an impact of organization efficacy, emphasizing again the fact that efficacy does not equal efficiency; therefore, an organization may prove efficacy without having a favorable balance between revenues and expenses.

Therefore, a performance management uses an approach that joins the two concepts, at strategy level.

3. Organizational competitiveness

As far as competitiveness, is concerned, there isn't a generally accepted definition, this concept being extremely complex, becoming the focus of many economists. Among the definitions that see the concept of competitiveness as an ability of certain companies, economies etc., strictly connected to competition there are the following ones:

- ✓ „The ability of individuals, companies, economies to keep themselves in national and/or especially international level competition and to obtain economic advantages (and not only), in a certain business environment”[10];
- ✓ „The ability of companies, districts, regions, states or supranational

organisms, being under international competition, to guarantee a sustainable high income from the value of the production factors, as well as high income from labor force" is the definition adopted by OECD[3].

- ✓ "The degree in which a nation, on free and honest market, can produce goods and services which can pass the test of foreign markets, at the same time being able to increase the real income of its citizens"[6];
- ✓ "The ability of certain products and services to face competition"[5].

Considering the factors involved by competitiveness and its effect, the following definitions stand out:

- ✓ "Competitiveness involves productivity, efficiency and profitability", not being a purpose, but only a means to increase life standard and social wellbeing, according to Ciampi;
- ✓ "Competitiveness may be defined as that precise set of institutions, policies and factors that determine the current level or productivity of a country"[4];
- ✓ According to professor Robert Carbaugh, the company is competitive as long as it produces high quality goods at a lower price than its competitors.[2];

Professor Stefan Nedelea gives the concept of competitiveness two functions [7]: to evaluate the evolution of the organization and the market and to channel its evolution, by various means (quality, cost, price, change, viability), under a competitive environment.

Any organization under a competitive environment must know and meet the consumers' needs. Dan Voiculescu[13] identified and categorized the elements that define competitiveness into primary, main and essential factors.

At the beginning, the product of a company is competitive through one of the following factors: price or quality. Another factor, *price/quality ratio* is revealed after a brief analysis of the reaction of the competition, which leads to structuring of the market in several interconnected layers, each layer corresponding to a certain price level and a certain quality level. The decisive factor in achieving a price/quality ratio acceptable by the market is the *cost* of the product, very relevant when compared to the selling price. Thus, another factor of

competitiveness emerges, that is the *profit*, resulting from the difference between the selling price and the cost. From a dynamic perspective on the two factors: cost/profit emerges the cost/profit ratio. Thus, each company aims to obtain a cost/profit ratio as small as possible, this generating competitiveness on the market.

The connection between the primary and the main factors is the fact that the latter control the former, being mainly qualitative, except the *volume of production* which is a quantitative factor. This factor is important when compared to the medium cost per unit curve. Thus, a company is competitive from this point

The main factors are controlled by essential factors of competitiveness, the most important being: *re-using previous labor ratio, axiological stability, applied innovation, harmony level, identifying and promoting values.*

- ✓ *Re-using previous work ratio* emphasizes the need to use the results of previous work, whose results may be: capital, science, technology, etc. Thus, the more work a company reuses (may it be top technologies, high fixed and variable capital level, high quality of management) the more competitive it will be compared to other similar companies that do not capitalize on the mentioned items. It is worth to be noted that not any previous work can produce value without new efforts or holds the ability to emphasize the effect of these new efforts.
- ✓ *Axiological stability* refers to the stability of the system of values of the company, which includes elements such as:
 - contractual discipline – originates in the system of formal and moral restrictions, therefore "a system that promotes contractual indiscipline penalizes competitiveness"[14];
 - The symmetry of the relations between asymmetrical partners - refers to the aspects regarding the relations between asymmetric partners (in weight and role); asymmetry in the relations between the dominant and dominated partner appears. The high competitiveness of the countries that put effort in achieving symmetry between asymmetric partners.
 - *Applied innovation* refers to technological innovation, in management, in

communication, in organization, in structuring personal relations. The lack of innovation would lead to eliminating weaker or smaller agents. This does not happen, so small companies, due to their dynamic nature, capitalize on the applied innovation, unlike the large companies, where this thing does not happen, because they are using applied innovation at a level which is below average.

- ✓ *Harmony level* shows that, when the quantity of work is in harmonic relation with the quantity of fixed capital, the agent is competitive; at the same time, it refers to the harmony between production and consumption, between the various forms of competition: free, economic, etc. Harmonic competition takes into consideration maximizing the positive effects created between organization and market, between economy and society, between national and global economy.
- ✓ *Identifying and promoting own value* – identifying the persons with value and their strong domains, training them in accordance with their skills, and, afterwards, capitalizing those skills in order to meet personal and organization's needs and interest – "the success of a company, more precisely its competitiveness, is given by the proportion in which the company manages to use the human fixed capital with which it is naturally equipped"[14].

4. Competitive advantage

Competitiveness represents the essence of progress, setting quality and price standards, determining the growth of productivity, supports innovation and improving. The grounds for achieving competitiveness is given by the competitive advantage which represents the organization's ability to control the competition forces [11]: new competitors, the threat of substitutable products, the negotiation potential of buyers and suppliers, the rivalry between the existent competitors, and in the end, it takes the form of higher quality products for consumers, compared to the products of the competition.

Professors Nicolescu O. and Verboncu I. define the competitive advantage as "the

ability of a company to produce goods and services that are, from a certain point of view, important to customers, better than similar products of most of the competitors" [8]. Thus, two essential features of competitive advantage are emphasized:

- ✓ It targets the element or elements that are important for the consumer, which determines him/her to buy the product/service;
- ✓ The company must produce that element, at a higher quality level than those obtained by competitors, so that it would be positioned in the upper part of the hierarchy of products or services.

There are several factors of influence of the competitive advantage: the organization's type, the domain, the competition's type and the competition's level of knowing.

The sources of the competitive advantage are [9]:

- ✓ *internal*: differentiating the products, the ability to react, the structure of costs, flexibility, knowing the strong and weak points, technologic abilities;
- ✓ *external*: knowing the business environment, the competition, market segmentation.

From Porter's point of view, there are two types of competitive advantage that can be achieved by a company: low cost and product uniqueness, thus resulting first strategies (table no. 1)

Table no.1. Strategies

Low costs	Product uniqueness
Cost leadership strategy	Differentiation strategy
Focus cost strategy	Focus differentiation strategy

Generic strategies identified by M. Porter

Therefore, the concept of *sustainable competitive advantage* appears for the first time and its first definition is given by J. Barney: "A company holds sustainable competitive advantage when it implements a strategy that creates value, a strategy that no other current or potential competitor is using and/or these competitors are not able to take advantage of the benefits of this strategy"[1]. The concept of sustainable competitive advantage is based on company and product uniqueness and low costs.

The sources that guarantee sustainable competitive advantage are: higher experience and the existence of various resources that must be: rare, valuable, un-replicable and irreplaceable. The organization, by combining the resources and experience may achieve competitive advantage that would allow it to face the fluctuations of the business environment.

5. Conclusions

Competitiveness, efficiency and efficacy of an organization are given by its ability to excel on the market it covers with its products and/or services, the performance being: “the outstanding result obtained in management, economy, commerce etc.”[12]

The environment, characterized by stronger and stronger competition, becomes more and more agitated and demands efficient management to the ones in charge of the organization, this way guaranteeing its performance. Thus, these may better capitalize the opportunities presented by the environment and may meet the requirements of the customers in a better and more efficient manner.

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Analysis of the Personnel's Performance and its Relationship with Work Satisfaction in Railway Transportation

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Abstract

From a general point of view, performance is defined as the degree to which a member of an organisation contributes to the realisation of the objectives of the organisation, and it is the most important objective for any organisation, because it assures both the company's and the employed personnel's survival and development. Work performance is understood as a form of the degree of accomplishing the tasks, duties and responsibilities defining an employee's work position, and the employee's contribution to the accomplishment of the objectives of the organisation, respectively. This work intends to present a study realised at Iași Regional, a regional railway transportation company, about the relationship that could be established between the work satisfaction and the work performance of the employees from this field of activity. The research is based on a questionnaire applied to the employees of the company. The results offer some interesting conclusions with practical availability.

Key words: performance, employee's assesment, railways transportation

J.E.L. classification: L92, M54

1. Introduction

The personnel's assessment is a process determining the possibility of evaluation of the employees' manifestation in the work process. This complex process intends to evaluate two types of characteristics: human and professional. Performance evaluation is a complex process, and it needs a certain degree of organisational maturity in order to

become a system in an organisation, contributing also to the employees' motivation for reaching superior levels of performance.

2. Performance criteria and standards

Performance evaluation of the personnel of a company should be based on the analysis of the job position and on the performance standards per employee and per work position. A *performance standard* should describe what an employee produces or realises by the development of specific activities, or should aim the obtaining of a specific result or of a certain behaviour of the employee on the job position occupied (discipline, relationship with colleagues, communication skills, etc.) [1]

The characteristics determining performance standards of an employee/job position are: quantity; quality; cost; time; use of resources; means of realisation.

Performance standards are established before starting the activities, so as all the employees know what they have to do and what is expected from them.

Performance evaluation criteria are expectations of the company in what concerns the results and the behaviours from the previous period, or the potential future of the employee under analysis.

The most used criteria of the personnel's performance evaluation, from the point of view of individual and professional characteristics, team adaptability, and social aspects are: personal characteristics (aptitudes, behaviour, personality features); competences for job responsibilities; flexibility and adaptability on the job position and within the company; professional knowledge; work efficiency; teamwork; degree of creativity and innovation.

Each employee is assessed according to: the existence/inexistence of the supposed intrinsic qualities, presence or absence of identified behaviours and attitudes, conformity of performances according to directives or procedures, difference between accomplishments and objectives established initially.

Among the factors contributing to the determination of the level of performance of the personnel in a company, the highest determinant results of the process of performance evaluation are leaves of absence, personnel fluctuations, and complaints/appreciations.

The leaves of absence are analysed from at least two points of view: *economic* – by calculating the material and financial losses determined by the employees' absence from work, and *psychological* – by the profile of the individual ("lazy", "irresponsible", "disloyal", etc.).

Personnel fluctuation is defined as "the report between departures per time unit, and the average of the existent employees in that specific time unit"[2].

The complaints refer to the employees' discontent concerning the administrative measures applied at a certain moment.

The performances of the personnel in a company can be evaluated according to the following situations:

- performance evaluation during training;
- performance evaluation in real work activity;
- performance evaluation in simulated work activity.

3. Implementation of an evaluation system

In order to implement an evaluation system of the personnel of a company, one should take into account the fact that this is a process realised progressively, and a series of other measures are involved:

- preparation measures; they have the purpose to inform the personnel regarding the philosophy of the system, its mechanisms and development, its consequences, etc.
- measures of formation of the employees involved in this system; the necessity of these measures results

from the fact that the information regarding the evaluation system applied facilitates its acceptance, therefore the evaluators' formation contributes to the increase of the system credibility.

The premises of personnel's strict evaluation are: the criteria of the personnel's evaluation are different, according to the nature of the positions held, to the potential of the company, and to its objectives; evaluation should be unitary, i.e. there should be the same evaluation criteria for the personnel of the same speciality, or with identical positions; evaluation should be realised on sufficiently long periods of time, in which the employees under assessment are confronting themselves with the main problems specific to the positions they are hired for; the methods and techniques used should consider the specific of every work position; evaluation should be based on true and verifiable information; the result of the evaluation should be communicated by the evaluators directly to the person, together with the necessary recommendations.[3]

The main groups of errors, from the evaluator's point of view, which appear in the personnel's performance evaluation process are: the "halo" effect, superior/inferior evaluation determining the error of tolerance/strictness, fear of making discrimination. Moreover, we also meet the following types of errors: the logical evaluation error, the contrast and similarity error, the proximity error, the agreement or fidelity among evaluators.

4. Methodology

The purpose of the research consists in the identification of specific directions of action in order to adapt the practices of human resources management to the needs of the employees from the field of railway transportation, with the purpose to improve their professional performance also with the increase of work satisfaction.

Consequently, the objectives of the research are:

- identification of the dimensions of the satisfaction (if there is any), strongly associated with the performance level;
- evaluation and description of the correlation between the satisfaction

perceived, and the performance obtained by the employees of the company.

The study was realised at Iași Regional CFR SA (Romanian Railways), on the total number of the personnel, from which a target group of 105 persons was extracted. In the choice of the target group we intended to keep a good representation of all the categories of the entire personnel. In order that the answers obtained were as honest as possible, and to avoid that the employees influenced each other in their answers, we organised the questionnaires in the same day, in a three hours period. According to the presence at work in the day of the questionnaire, and to the representation of the categories of age, sex, studies, number of years in the organisation and position occupied, we decided to include 105 persons in the target group.

The instrument used was the questionnaire. The results were processed with the SPSS programme.

5. Results

The individual performance is an aspect difficult to self-evaluate by the employees, due to the high degree of subjectivity involved. Therefore, because it is a self-administered questionnaire, the performance aspect was revealed in this study by the use of two significant questions, with an acceptable degree of objectivity:

A. Which was the grade/rating you obtained at your latest performance evaluation realised by your superiors? (Example: Very good/good/satisfactory/unsatisfactory, or number of points)

B. What would help you to have better performances at your present workplace?

The answers received at the first question allow the realisation of a hierarchy of the employees according to their recent performances. The second question offers to the respondent the freedom to suggest to the company leaders ways of improvement of their own performance.

Table 1. Distribution of the employees according to the rating obtained at the latest performance evaluation

	Which was the grade/rating you received at the latest performance evaluation realised by superiors?	
	Count	%
Very good	51	48,6
Good	52	49,5
Satisfactory	2	1,9

Most of the employees of the railway transportation company (16.19%) consider that *the assurance of adequate material, technical, and technological equipment* for the activities developed would help them improve their work performances. In the increase of professional performance, a very important role is also given by the subjects to the *assurance of the training and development of the competences* necessary in accomplishing work responsibilities, aspect which was mentioned by 14.29% of the employees.

Table 2. Methods of improvement of work performance suggested by the employees

No	Name	Num-ber	%
1	Assuring corresponding material, technical and technological equipment	17	16,19
2	Assuring the necessary competences training and development	15	14,29
3	Better work conditions	9	8,57
4	Actions directed to the improvement of the activity management	9	8,57
5	Harmonious team relationship	8	7,62
6	Diminution/elimination of bureaucracy	8	7,62
7	A higher salary	4	3,81
8	Adequate information	4	3,81
9	Rest	4	3,81
10	Support of family and friends	4	3,81
11	Stability and safety	3	2,86
12	Offering rewards/bonuses for high performances	2	1,90

In order to evaluate the connection between work satisfaction and performance at the employees of the railway transportation company, we estimated and tested the correlation coefficients between the performance indicator (score from 1 to 3 given by the personnel participating in the study, based on the ratings mentioned in the questionnaire), and each of the 10 indicators of work satisfaction (the scores determined for the total satisfaction and for its 9 dimensions).

In this case too, due to the fact that all the indicators included in this analysis have an ordinal nominal nature, an adequate correlation coefficient is Spearman coefficient.

Table 3. Spearman correlation coefficient between performance score and total satisfaction score

		Total satisfaction
Performance scor	Spearman correlation coefficient	0,193
	Sig. (significance level)	0,048

Table 4. Spearman correlation coefficient between performance score and dimension satisfaction score

Performance scor		
	Spearman correlation coefficient	Sig. (significance level)
Payment	0,218	0,026
Career promotion	0,201	0,040
Supervision	0,068	0,491
Benefits	0,099	0,313
Rewards	0,124	0,207
Conditions	0,025	0,802
Colleagues	0,108	0,274
Work nature	0,134	0,172
Communications	0,158	0,107

If the significance level is very low (≤ 0.05), then the correlation is significant, and the connection between the two variables is described by a linear model, and the other way around.

Even if the correlation is not significant between the two variables analysed, the variables can be correlated, and the connection between them is not linear.

After the estimation and testing of Spearman correlation coefficient used for the evaluation of the correlation between the performance score and the total satisfaction score, as well as between the performance score and dimension satisfaction score for each of the 9 dimensions of the work satisfaction, the results are as follows:

The values of the correlation coefficients obtained vary between 0.025 and 0.218, indicating either the inexistence of a connection (in the case of values very close to zero), or the existence of very weak and direct connections between work satisfaction and work performance.

The only dimensions for which there is a weak connection to work performance are: *payment* and *promotion* (direct connection), for which we registered values of Spearman coefficient slightly higher than 0.200.

The values of the test significance, sig., lower than 0.05 indicate that the values of correlation coefficients are significant in what concerns the entire personnel from whom we extracted the target group analysed, for these variables and for *total satisfaction*.

Figure 1 presents the graphical representation of the evolution of the percentages of the employees with satisfactory, good and very good performances, as long as their level of work satisfaction increases, particularised for each aspect of the satisfaction.

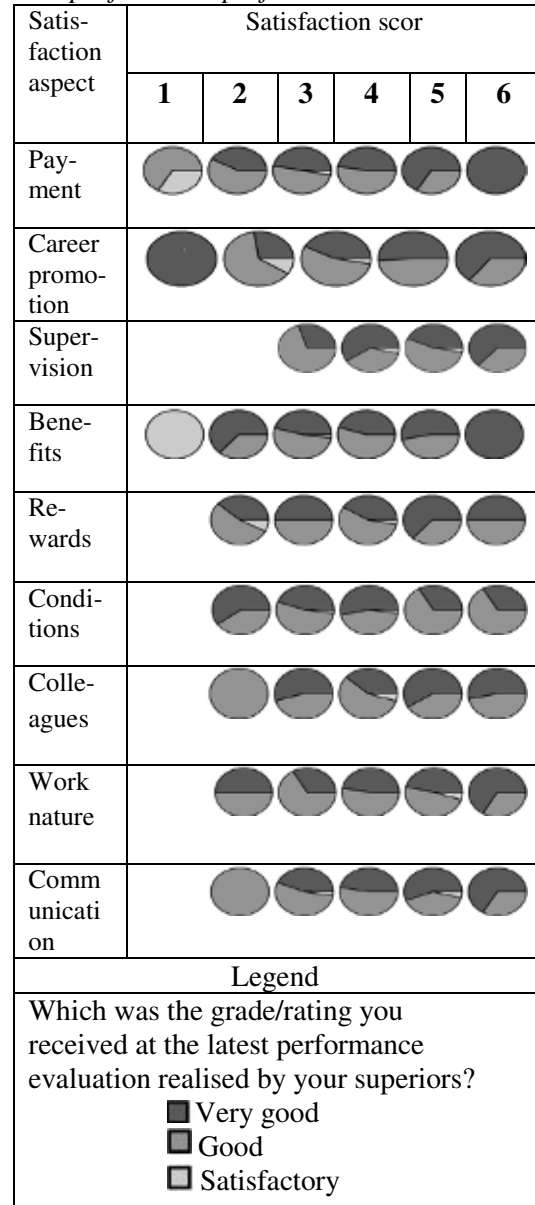
The analysis of the structure graphics for the 9 aspects of work satisfaction complete and confirm the results of the correlation analysis, as it follows:

We notice direct weak links between the levels of the employees' satisfaction and performances aspect, i.e. the percentages of very good performance are higher at those with higher levels of satisfaction (symbolised by scores 5 and 6).

Satisfactory performances (the lowest ones) appear mostly at the employees with lower levels of satisfaction (symbolised by scores 1 and 2), situation specific for the aspects: *payment*, *promotion*, *benefits* and *rewards*.

Obvious exception from the pattern mentioned above is the aspect *conditions*, referring to rules and procedures, where the satisfaction levels 5 and 6 (moderate and high, respectively) correspond to the lowest percentages of very good performance.

Figure 1 Distribution of the employees according to the level of work satisfaction, on aspects of satisfaction, and according to the professional performances obtained



The analysis of the distribution of the employees according to the level of total satisfaction felt, and to the work performances obtained (figure 2) emphasises the fact that very good performances are specific especially for the employees with a

high level of work satisfaction, satisfactory performances are mostly present at the least satisfied, while good performances are associated to average levels of satisfaction.

Figure 2. Distribution of the employees according to the level of total work satisfaction and the professional performances obtained



Which was the grade/rating you received at the latest performance evaluation realised by your superiors?

- Very good
- Good
- Satisfactory

6. Conclusions

Surprisingly, the results obtained in the research do not clearly demonstrate that there is a connection between work satisfaction and work performance. Therefore, after the estimation and the testing of Spearman correlation coefficients, the result was either the inexistence of a connection, or very weak connections between work satisfaction and work performance of the employees of the railway company. However, from the research results that the majority of the

employees belong to the category of average satisfaction, and implicitly have an average level of performance. This is determining us to wonder about the employees' degree of implication in the work process, with consequences over the work efficiency as well.

Meanwhile, there are also dimensions of the work satisfaction with which the employees of the railway transportation company are not satisfied, as well as salaries and salary raises, benefits package, operating conditions, and promotion opportunities.

Interesting results are offered by the analysis of the performance development methods suggested by the employees. We would have expected that salary payment was on one of the top places, however, the methods suggested belonged rather to work conditions and continuous formation: assuring a corresponding material, technical, and technological equipment; assuring the necessary training, and competences development; better work conditions, etc.

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The Present Economic-Financial World Crisis – One of the Most Important Phenomena of the 21st Century

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Abstract

The present world is still facing one of the most severe economic-financial worldwide crises, which causes losses of billions of Euros. Through its economic consequences and its magnitude, the present economic-financial world crisis has surprised many and has caused one of the largest economic unbalances, favoured by business globalisation and company internationalisation.

Key words: economic-financial crisis; globalisation; recession.

J.E.L. classification: G01

1. Introduction

The current world economic-financial crisis, considered to be similar to the economic crisis that shook the world in the 1930s, is one of the most important phenomena of the 21st century, phenomenon that we are all in the process of experiencing.

It initially started in the United States in the context of globalisation, but the crisis rapidly spread in the rest of the world, proving, without a doubt how interconnected the economies of different states are. It is well-known the fact that in the context of globalisation, a phenomenon travels with maximum speed, be it positive or negative.

Nowadays, the economic order that used to exist is about to crash. Despite the attempts to solve the problems generated by the economic-financial world crisis, recession affected, without exception, all the states of the world, and, as for the perspectives, they are rather uncertain and grim.

The magnitude of the financial crisis and its generalized consequences, has started a wave of reunions, most of them urgent, at a European and international level, in order to find coordinated solutions and adopt adequate measures that would allow surpassing the recession and economic revival. Among the coordinated actions of the government of the US and the EU members, we can mention:

- bank recapitalization;
- deposit guarantees (some countries instituted the complete deposit guarantee) ;
- guaranteeing interbank deposits;
- bank nationalisation;
- passing completely new financial market legislation
- the authorities recommended applying more efficient and more rigorous risk management practices;
- liquidities management practices are strengthened;
- the measures for identifying risk and risk prevention are improved.

2. The causes of the current economic - financial world crisis

The attempt to identify the causes that caused the current crisis is difficult due to the fact that they span a long period of time.

Moreover, the causes that are at the origin of the crisis are numerous and complex, and can be identified at a macro and micro-economic level. An analytical classification of these factors would point out the structural factors (creators of the generally favourable conditions for generating the crisis) and cyclical factors (which contribute to the crisis continuation). The current economic-financial crisis has started in the USA, where

the first signs appeared, even from June 2007 [3].

In the view of the American professor Paul Krugman, the winner of the Nobel Prize for Economic Sciences in 2008, „the return of the decline economy” is explained by the fact that „such diseases that became resistant to antibiotics, the economic maladies that caused the Great Crisis, returned in our days.”

Several specialists [2,4], have identified a series of problems that caused the crisis, among which we would like to mention:

- the limits of the American economic growth model based on credit and on consumption demand;
- the severe unbalance of the economic markets of the US;
- the excessive growth of the volume of credits – in the attempt to increase the profit of banks or the bonuses received by bankers;
- financial innovation and strong development of the market of derived products;
- the rapid increase of the interest rate in the period 2001 – 2006 and the expiration of the warranty periods, determined an accelerated increase of the volumes of overdue credits.

It is considered that the origin of the current crisis lies on the financial system of the countries that are massively focused on consumption, including by granting advantageous credits, especially in the housing sector. The financing of consumption was done not only at the level of individual person or company, but it even became a state policy.

Due to the fact that since the Great Depression the prices of the housing have presented an almost constant increase in value [7], and, for this reason, refinancing the housing loans was relatively easy, the financial titles that were issued held, on some components, the highest ratings, AAA.

Some of the causes of the crises of the 21st century are considered to be globalisation and business internationalisation and, especially, economic-financial interdependence at a world level. The development of the financial markets and the globalisation of the capital flows have influenced in the past decades the activity of companies and banking societies,

which made great efforts to adapt to the new conditions of the markets. Company internationalisation and business globalisation are phenomena that amplified the correlation, interaction and interdependence among national economies, creating business opportunities, but have also exponentially amplified the existing risks and even determined the occurrence of new risks. The structures in the global economic environment became even more complex, favouring the formation of financial loops and accelerating the spread of the financial crisis at a global level. The existence of the global market competitiveness for goods, services and capital is a fundamental economic reality that influences the behaviour of organisations and governments at a global level. The intellectual and financial capital will go where it is wanted and will stay there as long as it is well treated. Subsequently, the economic integration forces governments and organisations to compete [8].

Business ethics was often ignored. With the attempt to justify the attribution of high, or rather exorbitant, remunerations, the managements of great financial institutions were involved in financial operations with high outputs, but also high risks. Respective to this final aspect, a Romanian author said that „The USA unregulated dishonesty”. [9]

Specialists [1] believe that the renowned bankruptcies of large organisations were due to known risks, which were not taken into consideration, which should be an alarm signal for all managers, because these bankruptcies involved a high and dangerous responsibility.

3. Solutions to the challenges of the crisis

Isărescu[5] believes that, in the future, governments will be confronted to numerous challenges. Thus, on a short term, the main challenge is constituted by finding solutions that re-establish the trust of investors and consumers. On the long term, the main challenge is represented by adjusting the principles that guide the reform of the international financial system, mainly regarding the transparency, improving the norms regarding the accounting of bonds and

shares, ensuring the adequate norms of markets, companies and financial products, ensuring the integrity of financial markets (regarding market manipulation and fraud), and strengthening the cooperation among the financial world institutions (modernising the government structures of the International Monetary Fund and of the World Bank). Business ethics is present on the list of challenges of the future.

4. Conclusions

The contemporary business world is characterized by intensive competitiveness, aggressive business strategies, product and services standardisation, the desire to create profit with costs as low as possible, in the detriment of quality, etc. These practices determined an unsafe behaviour of organisations, one that had a disastrous finality, with global repercussions, which are the economic-financial world crisis.

Taking into consideration the challenges caused by the current economic crisis, in the current economic context, it becomes natural the preoccupation to find solutions to overcome the crisis and ensure the premises for economic growth which are capable of ensuring social welfare and an efficient business environment.

Overcoming the economic-financial crisis will lead to multiple changes, on all levels, such as: a new approach of performance, a new approach of human resources as main strategic resources of the organisation, a new approach of sustainable, lasting development.

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The Social Responsibility of Organizations in Times of Crisis: the Case of Toyota Motor Company

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Abstract

Since the end of the nineteenth century and the beginning of the twentieth century scholars and researchers from different domains (e.g. management, economics, business, sociology, philosophy, theology, law, etc.) have become interested in theorizing the social responsibility of organizations concept. The aims of our paper are to present in short the concept of social responsibility of organizations, and to identify and analyze their social responsibility principles during a period of crisis. The research type is a literature review combined with a case study. The results of our research have shown that social responsibility has remained a key asset of organizations in times of crisis.

Key words: social responsibility, crisis, organizations, Toyota Motor Company.

J.E.L. classification: M14.

1. Introduction

Since the end of 2007 and the beginning of 2008 the global economic and financial crisis has acted not only on the advanced economies, and the developing and emerging economies around the world, but also on the big corporations and the small and medium-sized enterprises. The world "is facing the severest economic crisis in decades, affecting families and communities across the planet" [6]. The economic and financial bubble exploded in the United States of America (USA) with the burst of the subprime mortgage housing bubble.

Increase of the oil price, declining stock markets, increase of the interest rates, liquidity contraction of the banking system, deflation of the house price bubble, losses in consumer and investor confidence, drastic drop in demand for goods and services, global trade contraction and bankruptcies were among the main issues that contributed to the propagation of the current crisis at a rapid pace. As T. F. Geithner, the President and Chief Executive Officer of the Federal Reserve Bank of New York, stated in 2008: "The origins of this crisis lie in complex interaction of a number of forces. Some were the product of market forces. Some were the product of market failures. Some were the result of incentives created by policy and regulation. Some of these were evident at the time, others are apparent only with the benefit of hindsight. Together they produced a substantial financial boom on a global scale." [3]

In their turn businesses have experienced a long process of change as their economic, social and environmental goals have not proved to be independent or in conflict. This is why H. B. Maynard Jr. and S. Mehrtens consider that "individual business corporations will survive only if they undergo a major shift to address individual and societal needs and become more democratic in their processes." [5].

In the past decades there has been a clear tendency within the business world towards the incorporation of other social and environmental variables beyond the pure economic ones. Moreover, the financial scandals and the corporate bankruptcies have led to a mutation in the business perspective

of stakeholders (e.g. entrepreneurs, managers, stockholders, etc.).

Starting from the above discussion, one key question arises, as follows:

Is there a social responsibility of organizations in times of crisis?

In order to obtain information on this question, the authors used a research based on a literature review combined with a case study. In this respect the case of Toyota Motor Company represents a valuable example.

The aims of our paper are to present in short the concept of social responsibility of organizations, and to identify and analyze their social responsibility principles during a period of crisis. The second chapter of the paper deals with the concept of social responsibility. The case of a business organization is analyzed in the third chapter. This is followed by the final conclusions.

2. The social responsibility of organizations in times of crisis

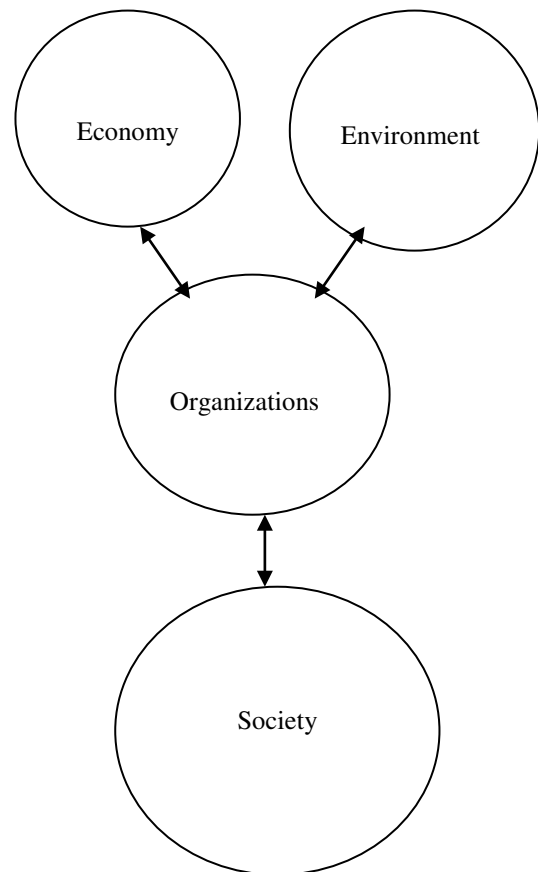
Since the end of the nineteenth century and the beginning of the twentieth century scholars and researchers from different domains (e.g. management, economics, business, sociology, philosophy, theology, law, etc.) have become interested in theorizing the social responsibility of organizations concept. Step by step, the concept has become the subject of considerable studies, debates and commentaries, especially after the end of the Second World War.

In essence, any responsibility an individual/organization has towards the society (within he/she/it functions) as a whole is called social responsibility. According to the ethical principles individuals and organizations have the moral obligation to acting in the benefit of society at large. Organizations are part of a whole socio-economic system that includes other interconnected parts (Figure 1). The most important principles of social responsibility are remained the same in times of crisis, as follows:

- Accountability.
- Transparency.
- Ethical behavior.
- Respect for human rights.

- Respect for the rule of law.
- Respect for international norms of behavior.
- Respect for stakeholders' interests.

Figure 1. Organizations: a part of the whole socio-economic system.



Either passive (e.g. by avoiding engaging in harmful or destructive actions, etc.), or active (e.g. by achieving environmental and social goals or promoting an active citizenship, etc.), more and more organizations (e.g. enterprises, companies, corporations, public institutions, non-governmental organizations, etc.) have understood the need to operate in a responsible manner [8]. There are several benefits of the social responsibility of organizations such as:

- increased public trust;
- good organizational reputation;
- employees' safety, loyalty, and morale;
- better relationships with their stakeholders, etc.

The corporate social responsibility (CSR) concept appeared when the multinational and transnational corporations began to take critically into account the impact of their processes upon the communities and/or societies within they acted. P. Kotler and N. Lee defined CSR as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" [4]. According to the Commission of the European Communities, CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis [2].

A. Carroll considered that the four social responsibilities can be divided into the following main categories [1]:

- economic responsibilities;
- legal responsibilities;
- ethical responsibilities;
- discretionary/volitional responsibilities.

In a time of crisis the implementation of CSR models should take into account the following issues [7]:

"1. CSR model implementation can be assessed as innovation, a key concept for achieving long-term entrepreneurial survival, a logical objective in situations of crisis.

2. CSR provides the desired atmosphere (internal culture, motivation) in which exceptional periods (crises) can be approached.

3. CSR gives adequate treatment to stakeholders, changing their possible position of risk towards the firm to an attitude of alliance.

4. CSR implementation reinforces business strategy, a necessity always covered but which has special relevance in periods of crisis.

5. CSR model implementation strengthens companies' market position, when it is perceived as such. That is why communication and transparency are important. These two characteristics are inherent to CSR.

6. CSR offers a guarantee and confidence to investors, due to information offered by responsible companies. Financial resources are always necessary but they become critical in times of crisis.

7. CSR implementation obligates one to reflect deeply about main concerns clearly linked to long-range survival: identity (including mission and vision), systems (incorporating procedures and rules), accountability (defining what and how much responsibility is wanted) and transactivity (clarifying who affects and who is affected by the firm's activity)."

In spite of the economic turmoil corporations have implemented and developed many CSR models. Toyota Motor Company is one of them.

3. Corporate Social Responsibility at Toyota Motor Company

In 1933, K. Toyoda created an automobile division within the Toyota firm, founded by his father, S. Toyoda. Two years later, K. Toyoda produced the company's first prototype after recruiting several Japanese automobile experts. Finally, he established the Toyota Motor Company in 1937. In time, Toyota proved to be one the most successful automaker in Japan. Since 2007, Toyota Motor Company has been the largest automaker in the world (Table 1).

Table 1. The world's largest automotive corporations in 2010

Rank 2010	Corporation	Revenues (USD millions)
1.	Toyota Motor (Japan)	221,760.2
2.	Volkswagen (Germany)	168,041.0
3.	General Motors (USA)	135,592.0
4.	Daimler (Germany)	129,480.6
5.	Ford Motor (USA)	128,954.0
6.	Honda Motor (Japan)	104,342.1
7.	Nissan Motor (Japan)	102,430.0
8.	Hyundai Motor (South Korea)	97,408.4
9.	BMW (Germany)	80,099.4
10.	Peugeot (France)	74,250.6

Source: [10]

Severely hit both by the financial and economic crisis and mostly by the 2011 earthquake, Toyota Motor Company has kept the features of a humanistic enterprise system. This is why management, shareholders and workers view themselves as parts of one single group jointly trying hard to ensure the prosperity of their company, namely Toyota. The roots of the well-known Toyota Production System (TPS) are found in its "respect for humanity" philosophy. Established in 1992 and revised in 1997, its guiding principles are the following [9]:

1. Honor the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in their respective communities.
3. Dedicate our business to providing clean and safe products and to enhancing the quality of life everywhere through all of our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
5. Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honoring mutual trust and respect between labor and management.
6. Pursue growth through harmony with the global community via innovative management.
7. Work with business partners in research and manufacture to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

All these guiding principles are in total harmony with the principles of social responsibility above mentioned. They have highly facilitated the implementation and development of a specific CSR policy at Toyota Motor Company.

Since its foundation, Toyota has continuously strived to contribute to the development of society within its functions. According to its CSR policy, Toyota is seeking harmony between people, society

and the global environment, and sustainable development of society through manufacturing and provision of innovative and quality products and services that lead the times. For example, quality assurance is seen like a contract entered into by Toyota Motor Company and its customers. Therefore, quality is all Toyota employees' responsibility. This is why quality circles were created and developed within the Japanese company. The Japanese automaker is convinced that the responsibility for quality assurance rests with the manufacturer, and he must satisfy his customers with quality in his products and/or services.

4. Conclusions

Today's turbulent business environment is characterized by continuous change. In times of crisis the social responsibility of organizations has to be encouraged, stimulated and promoted on a large scale.

Our research has shown that in spite of the fact that the current economic and financial crisis has produced negative effects on businesses around the world, social responsibility has remained a key asset of organizations. Acting in a highly competitive globalised market, more and more business organizations around the world have begun to run their activities and processes in a more socially responsible way. As a veritable social responsible organization, Toyota has always been fully aware of its multiple responsibilities towards various stakeholders (e.g. customers, shareholders, employees, society etc.).

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Entrepreneurial Culture and Entrepreneurship Policies

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Abstract

The influence of culture on economic activities of various companies was investigated at the beginning of '20. Weber showed the influence of religion on society's economic performance. Inglehard showed that large economic differences are related to cultural differences. Zhao Bing alleged strong links between culture and regional economic development level. But the cultural components have a positive influence on economic development? For the level of entrepreneurial activity differs significantly between countries and even between regions within a country?

The force of entrepreneurship is vital for growth and offers many social opportunities. Entrepreneurial capital investments are needed not only to form a "stock" for aspiring entrepreneurs but also the long term, to maintain a leading position in the global economy. Modernization should include cultural and institutional transformation. Culture acts as a conductor and entrepreneur as a catalyst for entrepreneurship.

Key words: entrepreneurial culture, entrepreneurship policies.

J.E.L. classification: L26, M13, M14.

1. Introduction

When the engine revs not enough economy or micro or macro-economic reasons are needed redesign strategy or economic paradigm, entrepreneurship is practical and sustainable solution. Experience periodic reversions to jelly by the combined creative entrepreneur resources and ask who he is, who should be in new contexts or the attributes we need to overcome when critic. Răspunsurile belonging to each era or school of thought, are different and inevitably incomplete.

2. Entrepreneurial culture - conceptualization

The concept of "entrepreneurial culture" became popular and accepted internationally as an expression of attitude to trade at a certain level of business. He describes a positive attitude, prevalent, and permissive social scale to support entrepreneurial activity [1]. The motivation lies in the emergence of economies and regions have flourished at the end of sec. XX and sharing a "business culture", which can be broadly described as "entrepreneurial" [2]. This type of culture, almost a sub-culture, describes the ability of these economies to adapt to the changing needs of the market economy and responsiveness to changing demand, innovation, types of products, opportunities and technologies but also includes historical experiences, beliefs, attitudes and values [3].

Internationally, there are a variety of entrepreneurial culture, each enabling and supporting entrepreneurial behavior in different degrees. Their diversity reflects future expectations and aspirations not only business but society as a whole and has its roots in highly personalized activities - entrepreneurs design their visions and ambitions and efforts to reorganize the social environment to make them materialize .

Arguing usefulness and ability to give sustainable business culture business environment, there should be an environment that combines the attributes of social, political and educational [4]. In societies where entrepreneurship has been contaminated with allegations of fraud, speculation, violence and crime, he was not well received (Chicago, 1930, Eastern Europe, 1990).

This negativity may be an inevitable stage of development but can facilitate the transition to strong and sustainable anti-entrepreneurial values. In these circumstances, it is difficult to change culture

when people are aware that survival is at stake but when survival is considered desirable [5].

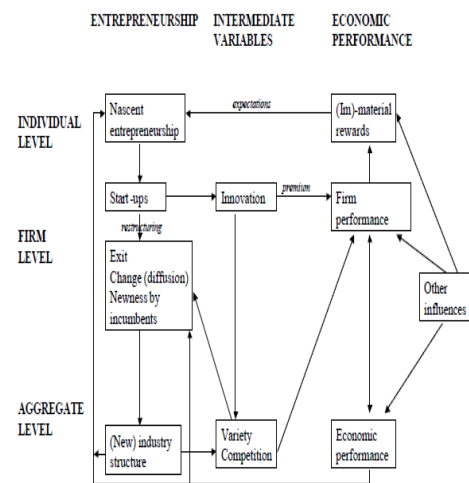
In chronological order we find cultural cognitive model of the initiation of a business consisting of [6] and improved over and Abramson, Lane, Nagai, & Takagi in 1993 [7]. It brings together the social context (social mobility, ecological niche, market conditions), cultural values (individualism, uncertainty avoidance, power distance, masculinity, orientation to time) and personal variables (risk taking, locus control, achievement motivation). Model name indicates the intent and key court decision to start a business: cognition, that cognitive structure and process. Cognitive structure related to the rational calculation of risk, the possibility or the extent to which it can be controlled assessment start-up opportunity and realistic anticipation of benefits. Cognitive process that maintains the cognitive scheme of feed availability heuristic, representation/design-redesign, trust and attachment.

Entrepreneurial culture values and norms are powerful forces for the control and direction of human behavior. In 1993, Erez and Earley [8] notes that cultural patterns provide cognitive scheme that assigns meanings and values to guide choices and motivational variables, commitments and standards of behavior. Moreover, because the values are usually determined early in life, they tend to be "programmed" into individuals resulting in behavior that are consistent with the context and culture takes time [9].

Closer look at interdisciplinarity, diversity and better anchored in the reality of institutionalized West in 1996 van der Horst points out that the key components associated with entrepreneurial culture, Entries (religion, education, politics, family, history, role models, other cultures, personal characteristics) that correlate different national culture, regional, found in the individual micro-scale business. Culture is the ideology, attitudes, behaviors, values, expectations, aspirations and social constructs manifested as economic, political, institutions, structures, classes and contexts [10].

Most often the concepts of entrepreneurial culture, entrepreneur or entrepreneurial spirit are put under scrutiny in terms of research closer to their immediate goals and utility that are associated with economic growth and development patterns. Wennekers and Thurik The 2002 leverages key element of any action / entrepreneurship: entrepreneurial spirit, analyzed at different levels of complexity. Secvețelor sequence and presentation of economic connections is presented as a theoretical fair value model synthesis [11].

Figure 1. Entrepreneurship and economic performance



Source: Thurik, Wennekers, Uhlaner, 2002

In 2005, A. Morrison provides a summary of moving more in line with changing realities. Entrepreneurial culture begins with positive attitudes towards entrepreneurship businesses seen as a vehicle of creating new jobs and wealth. It must enjoy the support and affordability policy framework and to support socio-economic structure competitive local/regional.

Renaud's research worth mentioning Redien-Collot (2006) even though its approach is anthropological said. From this point of view it noted the existence of two trends: 1. entrepreneurship as a need for life (in the most general sense, people live their lives so, the company is a way to be, to achieve maximum satisfaction in conditions at a time) and 2. entrepreneurial culture can be defined as a sub-culture that endorses many cultures, even if they were never in

contact with each other [12]. This last approach rather than proven stated enjoys more attention from researchers because of the two existing methodological approaches: a) first focuses on the comparison of characteristic variables for a sub-culture and b) the second focuses on high level interconnection between individuals and entrepreneurship implicitly defined as a sub-culture.

In addressing the descriptive parts entrepreneurial culture as subculture, Max Weber, more than others adopted an evolutionary approach to defining the culture of entrepreneurship as one of the major engines of Western modernization. He proposes to value strong arguments both for Reform moderation and for expansion of capitalism. Fundamentals of capitalism in Europe were made by entrepreneurial strategies implemented by Protestant merchants, bankers and craftsmen from the XVI and XVII. Weber is the first to consistently analyze various ways in which the principle of moderation is the expression of the cultural matrix that justifies all of the sub-culture of entrepreneurship. In fact, he describes the support that is reconfigured modernity and Western European capitalism. Inspired by Weber's theory, Brigitte Berger (1993) defines entrepreneurship as a sub-culture system configuring features, characteristics and indicators (a cultural pattern)[13].

In turn, Morrison (2000) distinguish several aspects of the interaction sub-culture and entrepreneurial environment that develops. He makes a list of cultural dimensions significantly influence entrepreneurial behavior: collective action in contrast to individual action, conformist behavior in contrast to the divergent and egalitarian treatment contrasts with the elitist. Equally, it suggests that entrepreneurial activity may impact on the environment contrasting psychological and moral country, but not explicit in specifying what he means when the environment can be considered culture.

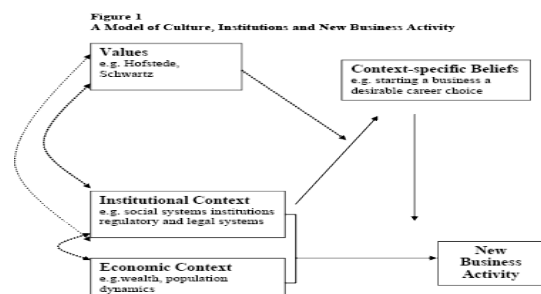
Some observations ought to be made on the report culture - business activity:

- any entrepreneurial project or micro-scale or macro-scale cultural items recovered;

- for entrepreneurs, culture is seen as a force double stake: individual and creating new value, it helps the individual to produce social and cultural values;
- environmental and social-economic interaction summarizes "products" sustainable cultural when viable, desirable and fair;
- cultural dimension is often instrumentalized as a factor influencing the development of entrepreneurial projects;
- the degree of ambiguity of the relationship increases when they reach higher levels: consumption and production of culture, the default entrepreneurial culture;
- the short and medium intervals community culture means repetition and reproduction of the latter is insufficient to obtain, produce new forms of cultural expression;
- is an intervention that can come from individuals / entrepreneurs exception, structural reforms and / or interaction with other cultures.

Beyond social and chronological differences, the extent of reporting culture - sub-culture, individual or universal model of the entrepreneur, entrepreneurial activity items are subject to ebb and flow of cultural, cultural birth and rebirth, transformation potential that culture is constantly has.

Figure 2. A model of culture, institutions and new business activity



Source: Levie, Hunt, 2005

In 2005, J. Levie and S. Hunt proposed a model that interacted cultural values (as defined by Schwartz and Hofstede) against a particular economic and institutional context

[14] and in 2006, Zoltan Acs demonstrate how entrepreneurship is engine of economic growth [15].

Figure 3. Global Entrepreneurship Monitor (GEM) Conceptual Model



Source: Acs, Z.(2006)

Huiping Guo Yifu and Nie (2006) proposed measuring the level of entrepreneurial culture through analysis of five dimensions: the ratio of industrial output of private and total industrial production (X1), the number of self-employed workers to total population (X2), the number of patents granted per capita (X3), the number of private companies per capita (X4) and the number of private investors (X5). Using X1 X2 X3 group independent variables that measure of entrepreneurial culture and regional GDP per capita in 2004 as a measure of the degree of development, the authors found a strong correlation between X3 and X4 and another, very close (0.6859) threshold 0.7 A standard coefficient of correlation between X1 and X5's Guilford.

The empirical analysis indicates that regional economic development and entrepreneurial culture there is a high correlation coefficient of 0.90. The authors' conclusion was that some entrepreneurial culture tend to align more closely with entrepreneurial orientation than others and as reverse, entrepreneurial orientation has an impact on regional economic development. They believe that the system of values specific to a particular region determines the development of certain personality traits and motivates some people to engage in behaviors that may not be as widespread in other regions. According to their research, entrepreneurial activity may be one of these

behaviors vary from one region to another due to differences in cultural values and beliefs [16].

Modernization must include cultural transformation. From this perspective, entrepreneurial culture is developing "bottom up" so that potential foster entrepreneurial business culture. As such, despite the presence of a relatively hostile environment, people are motivated by factors such as financial rewards, achievement, career and social rewards and individual fulfillment, will start their own business, while if the environment is very favorable entrepreneurial activities, will be very easy to initiate / develop entrepreneurial activities.

3. Entrepreneurship policies – a tool

Traditional triad: the policy instruments of coercion, in essence, the freedom to contract business-regulation, competition policy and public ownership of business policy is less relevant in a global economy. The new approach focuses on creating and marketing knowledge and answer process guidance for small businesses, which face a cost disadvantage inherent size scale to commercialization of knowledge, entrepreneurship and knowledge-based entrepreneurship.

Entrepreneurship policy is a relatively new phenomenon. An important distinction should be made between traditional policies regarding small business and entrepreneurial policies. Small business policy refers to policies implemented by an agency or government ministry charged with the mandate to promote them. The current definition of small business varies considerably across countries, ranging from businesses with fewer than 500 employees in some of the most developed countries like the United States and Canada, more than 250 employees in the European Union to 50 employees in many developing countries. Thus, small business policy is almost exclusively oriented towards the existing stock of business and virtually all instruments included in the portfolio of policies designed to promote the viability of small businesses.

By contrast, entrepreneurship policy has a larger spatial and temporal horizon and a more varied range of instruments. While small business policy, focuses on the existing

stock of small, entrepreneurial policy is more comprehensive in that it includes potential entrepreneurs. This suggests that entrepreneurship policy is focused on the process of change, regardless of the organizational unit and has a higher sensitivity to framework or contextual conditions that shape decision making by entrepreneurs and potential entrepreneurs. While small business policy at the organizational level positions in business, entrepreneurship policy includes several organizational units and levels of analysis. These vary from individual to enterprise, to cluster or network and may involve the sector size, industry or services, or a spatial dimension, such as a neighborhood, city, region or country. As each of these levels requires at least one important objective for policy entrepreneurial interactions and links between these different levels are also important. In this sense, entrepreneurship policy tends to operate a system while small business policy is punctual and relatively static. However, it is important to emphasize that small business policy, remains the heart of business and the need for institutional adaptation to operational policy for entrepreneurship.

The second significant difference is the tools. Almost every country has an agency or government ministry responsible for promoting the viability of small businesses. These ministries and agencies have now developed a well-established arsenal of tools for small business promotion policy. Needless to say, but there are no such agencies to promote entrepreneurship but no fee to promote entrepreneurship. Relevant issues covered by the policy entrepreneurs can be found on a wide range of ministries and agencies, ranging from education, trade and immigration issues. What is lacking is the vision of unified correlation that instruments used by a ministry or another, maturity, flexibility and adapt to complex economic realities of these instruments. Instruments of restraint such as freedom of contract, antitrust regulations and public property are generally controlled and used for federal or national level.

By contrast, entrepreneurship policy instruments are generally applied at decentralized (at the state or city or local, not national or federal). It is important to

establish the locus of entrepreneurship policy instruments such as indirect taxes, immigration and education, and more direct instruments, such as providing funding or training. If entrepreneurship policy can be seen as an attempt to create a new form of economy, entire institutions that were the cornerstone of the economy Solow (1957) should be reconfigured, at least in OECD countries to create an entrepreneurial economy.

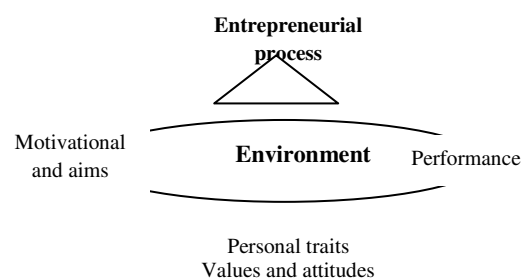
4. Building a support system for entrepreneurial culture

If there are entrepreneurial society, building a support stand is based on encouraging entrepreneurship and entrepreneurial culture.

Entrepreneurship is considered a central force of economic development because it creates growth and serves as a vehicle for innovation and change. It is necessary to improve the entrepreneurial climate coupled with efforts to improve attitudes towards entrepreneurship. A solution would be to create a favorable environment for entrepreneurs.

Flowchart enabling environment to achieve that entrepreneurs and their activities is a circular and evolving.

Figure 4. The impact of environment on entrepreneurial activity



The purpose of maintenance and enhancement must give entrepreneurs more opportunities to learn, that learning associated with the development of entrepreneurial knowledge: the opportunity for recognition [17] and the necessary opportunity exploitation [18]. Both types of knowledge are expected to come primarily from individuals engaging in various types of practical work experience that exposed them

to concrete decisions and solving problems during their careers or in their training.

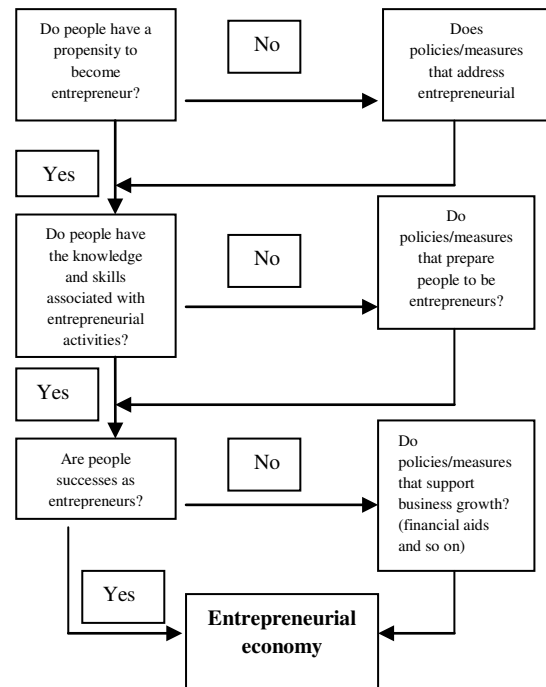
The use of ways to encourage entrepreneurial activities is another solution for encouraging entrepreneurship and developing entrepreneurial culture. Entrepreneurial culture medium is often submerged for entrepreneurial activities. Entrepreneurs were often agree with statements like "start-up means risk but also excitement / challenge", while non-entrepreneurs the majority concluded that "failure means loss of boldness, respect "[19].

In order to promote entrepreneurial culture, developing countries, regional constraints to break ideological attempt to develop innovative ideas and concepts to promote economic growth. Ways to encourage entrepreneurial activities such as the entrepreneurial net, network systems to provide support and networking events, project / projects, business support advisers and experts, successful entrepreneurs as role models, organizing forums regional education.

Reality shows that a region's economic development depends not only on building economic infrastructure - "hard power", but also the cultural specificity and its strength - "soft power". Cultural factors change slowly, but not easily, or when designing the past and adapt even when, as now for the future (culture can make to encourage entrepreneurship - long term and a culture that cultivates and rewards their contractors can attract new businesses and further activate latent entrepreneurial characteristics of its residents). Changing patterns of individual and group behavior ultimately affects the company culture, and the cycle begins again. A benign interaction between cultural development and regional economic development will be formed in this way and the competitive position of a region will be high.

As a logical scheme of control in understanding cultural and social bases of a given region, can provide a more appropriate starting point to build a more entrepreneurial society and economy.

Figure 5. Framework for system of antrepreneurial culture



Source: Yifu Guo, Huiping Nie, 2010

5. Conclusions

Entrepreneurship is a concept on how to upload the current on the cultural significance. He should be treated in terms of historical, social, political, economic specify which appeared and developed. Direct correlation with the manifestation of his country's economic development comes only to update its strategic importance, invariably interdependent with other factors that influence development. Expression of free enterprise and entrepreneurship is done mainly in small and medium companies that provide effective and stimulating the exercise decision. During the recent evolution of SMEs in Romania entitles us to ask more from the Romanian business environment, more support and accountability from the state and more consistencies of policy makers.

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The Uppsala Internationalization Process Model and the Concept of Learning

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Abstract

The Uppsala internationalization process model is revisited in the light of changes in business and teoretical advances that have been made since 1977. Now the business environment is viewed as a web of relationship, a network, rather than as a neoclassical market with many independent suppliers and customers. In the light of recent work of learning in organization, this paper adresses some issues related to how the process of learning is conceptualized in the Uppsala Model. The consequences of the strong emphasis on individuals as the holders of market-specific knoledge is also discussed. The paper concludes with some remarks on the emergence of interesting research issues about the internationalization behavior if a broader concept of organizational learning is applied.

Key words: multinationals (MNE), Uppsala Model, Learning, Internationalization.

J.E.L. classifications: F23, F43, O11.

1. Introduction

The internationalization of the firm has attracted scholarly attention from several perspectives, but these fall into two main themes. On the one hand, and largely attributable to the dominant form of international business at the time in the mid-1970s, theory emerged from an economics heritage to explain the very nature of the large MNE. Under this market internationalization theory, imperfections in international markets motivate transactions cost minimising firms to bring exchange into the governance structure of the firm. The large MNE becomes a structure of geographically dispersed, internal markets. This explains well the nature of the large

MNE, but it is static and it demands that markets are imperfect or missing. At the same time, Nordic school of thought, internationalization process theory, sought to explain the process through which internationalising firms traversed as they moved into foreign markets and deepened their involvement in these markets. This approach took on a behavioural heritage in attempting to bring dynamism into understanding the internationalization of the firm, and it attributes internationalization dynamics to managerial commitment, resouces and acumen. While both of these explonations sometimes are identified whith the process of firm internationalization, Uppasa Model expansion through international extension is clearly of the latter Nordic genre [6].

2. Methodology

This article aims to identify the relationship that exist between the Uppsala Model and concept of knowledge and learning.

In order to achieve this goal a content analysis of 7 relevant articles have been made. The analysis was focus on identifying a definition of Uppsala Model and the concept of learning in this internationalization process. The selected articles were published during 2001-2011 in the Journal of International Business Studies, Management International Review, World Business, International Business Review.

The results of this analysis will be showed in part five of this article. So, the third part will focus on the Uppsala Model, in order to surprise the the obtimal mode for entering a market by analyzing their costs and risk while the fourth part concentrates on the Uppsala Model and the concept of learning.

3. The Uppsala Model

The Uppsala Model views internationalization of the MNEs as a dynamic evolutionary process where the firm gradually increases its international involvement. Researchers in the Department of Business at Uppsala University in the 1970s made empirical observations that contradicted the established economics and normative, international business literature of the time. According to that literature, firms choose the optimal mode for entering a market by analyzing their costs and risk based on market characteristics and taking into consideration their own resources. A number of industry studies of Swedish companies frequently began internationalizing with *ad hoc* exporting. They would subsequently formalize their entries through deals with intermediaries, with agents who represented the local companies in the foreign markets. Usually, as sales grew, they replaced their agents with their own sales organization, and as growth continued they began manufacturing in the foreign market to overcome the trade barriers. We labeled this dimension of the internationalization pattern the *establishment chain*. Another feature of the pattern was that internationalization frequently started in foreign markets that were close to the domestic market in terms of *psychic distance*, defined as factors that make it difficult to understand foreign environments. The companies would then gradually enter other markets that were further away in psychic distance terms. This process had its origin in the *liability of foreignness*, a concept that originally explained why a foreign investor needed to have a firm-specific advantage to more than offset this liability. The larger the psychic distance the larger is the liability of foreignness[2].

We searched primarily in the theory of the firm for explanations for the deviations between what the extant theories prescribed and the Swedish pattern on internationalization of the MNEs. First, firms change by learning from their experience of operations, current activities, in foreign markets. Second, they change through the commitment decisions that they make to strengthen their position in the foreign market. We define commitment as the

product of the size of the investment times its degree of inflexibility. While a large MNE investment in saleable equipment does not necessarily indicate a strong commitment, unwavering dedication to meeting the needs of customers does. Experience builds a firm's knowledge of a market, and that body of knowledge influences decisions about the level of commitment and the activities that subsequently grow out of them: this leads to the next level of commitment, which engenders more learning [7].

The model does not specify the form that increased commitment might take. Indeed, commitment may decline, or even cease, if performance and prospects are not sufficiently promising. Contrary to the views expressed by some, the process is by no means deterministic. We assumed nonetheless that the process of internationalizing will continue as long as the performance and prospects are favorable.

We also assumed that learning and commitment building take time. This explains why moves into more risky, but potentially rewarding, modes and moves into markets that are more distant in terms of psychic distance are made incrementally.

We considered the model to be descriptive, largely because we based it on Cyert and March (1963). It is generally been characterized in the subsequent literature as behavioral, compared with other theories that are seen as economic, such as internationalization theory (Bucley and Casson, 1976), transaction cost theory (Hennart, 1982) and the eclectic paradigm (Dunning, 1980) [5].

4. The Uppsala Model and the concept of learning

A basic assumption of the Uppsala Model is that lack of knowledge about foreign markets is a major obstacle to internationalization operations, but such knowledge can be acquired. Acquiring knowledge is first of all a question of being active in the new environment rather than of collecting and analyzing information. By operating in the market, the MNE not only acquires information about that market, but also becomes closely connected to the market in such a way that it is difficult to use its

resources for other purposes.

A second important assumption is that decisions and implementations concerning foreign investments are made incrementally due to market uncertainty. Incrementalism can be seen as a management learning process in which 'learned by doing' is the basic logic. The more the firm knows about the market, the lower the perceived market risk will be, and the higher the level of foreign investment in the market. The firm postpones each successive step into a certain market until the perceived risk associated with the new investment is lower than the maximum tolerable risk [1].

A third assumption is that knowledge is highly dependent on individuals and therefore difficult to transfer to other individuals and contexts. The problems and opportunities intrinsic to a certain market will be discovered primarily by those who are working in the market, people in a sales subsidiary or some other frontline unit. For them, the adaptation and extension of the present operations will be the natural solution to a problem or the reaction to an opportunity. Experience generates business opportunities and is supposed to work as a driving force in the internationalization process. The model is founded on four core concepts: market knowledge, market commitment, commitment decisions and current activities. Market knowledge and market commitment at a certain point of time are assumed to affect the commitment decisions and how the activities are carried out in the subsequent period, which in turn will influence market knowledge and market commitment at later stages. On the basis of these four concepts, and by making the assumption of incrementalism, the model predicts that the basic pattern of firms' internationalization is: (1) to start and continue to invest in just one or in a few neighboring countries, rather than to invest in several countries simultaneously; and (2) that the investments in a specific country are carried out cautiously, sequentially and concurrently with the learning of the firm's people operating in that market [4].

Firms are supposed to enter new markets with successively greater psychic distance and the market investments develop according to the establishment chain. The Uppsala Model deals with how organizations

learn and the impact of learning on organizational behavior. The main emphasis is on experiential learning through the ongoing activities. However, research during the two last decades indicates that organizational learning includes several dimensions with consequences for firm's behavior. For instance, it has been pointed out that, through their business relationships, organizations can gain access to the knowledge of other firms, without having to go through exactly the same experiences as these firms. Imitative learning, learning by observing other firms with high legitimacy and acting in a similar way, has also been focused upon by many researchers as a common learning mechanism. Different 'short-cuts' to get knowledge by acquiring other organizations or hiring people with the necessary knowledge have also been included in the concept of organizational learning. Finally, it has also been maintained that organizations can learn by conducting a focused search for new information rather than through experience from own activities.

A closer look at the literature also reveals that organizational learning has two different meanings in connection with an organization's effectiveness. The first of these stresses that learning, if it is positive, increases the organization's knowledge about the possible alternatives. It clearly emphasizes that learning does not have to increase the organization's effectiveness, or even its potential effectiveness. New findings can always overturn what was previously known to be true. The more the range of alternatives is enhanced, the more the organization has learnt, and the larger the number of potentially useful alternatives in the future. While this perspective highlights the information aspect of learning, the other meaning focuses on competence. Over time, the organization learns to carry out its operations with an increasing degree of effectiveness. This process is often thought of in the context of a learning curve and of an accumulation of knowledge and skills. Learning is supposed to increase the performance and reduce the variation in the performance. By doing 'more of the same' the number of alternatives are reduced over time, as the organization becomes more and more proficient at its current activities, procedures and technology. It has sometimes been

argued that, at the extreme, the result is a competence trap. The Uppsala Model deals more or less exclusively with experiential learning. This is stated explicitly by the model builders in relation to their discussion of market knowledge, which emanates from 'personal experience' and 'arises from their current activity. Consequently, learning through imitation, learning through incorporating people or organizations, or searching and scanning for new information have a limited impact on how the firm's internationalization behavior is modeled. In the model, learning has very much in common with 'the learning curve thinking'. The model emphasizes that learning is linked to current activities in specific markets. That is, by continuing to do what it is already doing a firm learns more about the actual business, and increases its competence to continue with and deepen its activities in that particular market. Therefore, it will prefer to stick to a certain market and learn more about that market rather than to try new alternatives. The learning curve perspective is also reflected in the way the concept of market commitment is used in the model. Investment in current activities will increase the commitment to other actors in the market and reduce the alternative uses of the committed resources. The decision maker prefers to reduce uncertainty by learning more about the existing business rather than exploring new business alternatives. One can also argue that the Uppsala Model employs a reactive rather than proactive perspective of experiential learning. By reactive learning, we mean acquiring more knowledge about the already identified solutions, while proactive learning focuses on the search for new solutions. This distinction is significant as the various forms of search might be carried out by different types of organizational unit or through different types of search process. The distinction also reflects the fact that the stimulus of learning can be a problem or an opportunity. The reactive nature of the model is reflected by its concern with problemistic search. An organization is supposed to start its learning when a problem arises that is related to current activities. The solution of the problem is sought in the neighborhood of existing solutions. When a satisfactory solution is found, learning is terminated. The

application of organizational learning in the Uppsala Model is limited to certain aspects, leaving out the other aspects. This has certain implications for the model's ability to explain and predict the internationalization behavior accurately [3].

5. Conclusions

Although the Uppsala Model seems to equate incremental behavior more or less with experiential learning, it is not totally clear whether incremental behavior is simply a consequence of experiential learning or whether it is an independent variable. However, these two variables are conceptually different. Above all, incremental behavior reflects the organization's perceived uncertainty. The higher the uncertainty, the smaller each step, because high steps involve risks that are too great. Experiential learning reflects the need for market knowledge, because such knowledge is difficult to acquire through other means of learning. But it does not tell us whether learning will be carried out by taking up activities that are closely related to the existing ones, or by taking up totally new activities.

The standard version of incrementalism with its emphasis on frequent, multiple, small changes is not necessarily the only learning strategy. It is also reasonable to assume that the level of tacit knowledge, acquired by the firm, has an impact on the firm's perceived uncertainty. If we treat experiential learning, and incremental behavior as two distinct variables rather than two sides of the same coin, it becomes apparent that they have a different impact on the internationalization process.

By learning from conducting its own activities in a certain market, the firm acquires tacit knowledge that will reduce the perceived uncertainty about that market. This, in turn, will reduce the need for incremental behavior. The risk of making mistakes by taking large steps is reduced when the firm has more knowledge about the market. Consequently there is actually a negative relationship between experiential learning and incremental behavior. This means that the internationalization process involves an increasing pace of the firm's investments made in a certain market. If

experiential learning has a strong and direct impact on market knowledge and consequently on the need for incremental behavior, the cautious character of the internationalization process will weaken after some time. This conclusion is supported by research that indicates a positive relationship between the market knowledge and the pace by which firms commit resources in foreign markets. This reasoning is also in line with the notion that experiential learning favors simultaneous rather than sequential entry strategies. Experience leads to higher confidence in the mind of the decision maker and therefore reduces the expected cost of entry. The propensity to postpone the entry into different markets will therefore decrease with an increasing experience.

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Some Considerations Regarding the Role of "Academic Nepotism" in the Economic Research – the Case of Romania

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Abstract

The existence of a situation commonly found in economic research and sometimes called academic nepotism, other times methodological nepotism, characterized by the adoption by young researchers of almost unanimously accepted ideas by the academic world, rather out of convenience than conviction was observed and shown in detail in the scholarly literature. In this study we aim to analyze whether the legal regulations applicable to evaluate the research of the academic environment representatives in Romania encourages methodological (or academic) nepotism.

Key words: academic nepotism, methodological nepotism, long tail theory, economic research in Romania, evaluation criteria for research

J.E.L. classification: B40

1. Introduction

A few weeks ago, taking part in a roundtable held in a stately building of a beautiful university from the famous university town of Cambridge in Great Britain, the intervention of a U.S. participant has brought into focus a highly topical issue of how economic research was made in the past and how it is generally made today. The American professor recalled how a work written in his youth and sent to a journal to be reviewed and published was brutally refused by the journal's reviewers, the only sentence written by them in the review being "How dare you?". The researcher remembered with humour that it took him

several weeks to understand what happened. What rule of conduct did he violate and how did he violate it? After a considerable period of time he got the answer - of disarming simplicity - to the questions that troubled him: he had sent an article whose profile didn't match the profile of the journal. And this didn't happen because he had sent an economic article to a gardening magazine, or because he had sent an article about marketing to an international accounting journal. No! ... The response of the journal's reviewers was determined by the fact that the American professor, heterodox economist, challenged (economic) concepts which were "unchallengeable" for the representatives of mainstream economics and dared to do so in a magazine belonging to them.

2. On the mechanism of academic nepotism

The description of the presented situation remembered us of one of the concepts invoked very often in the last decades by social sciences researchers, and thus by those from the economic field: academic nepotism. At first glance, the employed term creates confusion, especially in our country, where the use of the concept of "academic nepotism" has a totally different connotation when it is associated with topics related to academia. In Romania, academic nepotism is often invoked in its proper sense and designates the situation where the staff of an academic structure comprises more people who are in a family relationship. But this is not the sense in which we use the concept of academic nepotism in our paper. We shall use the mentioned concept as synonymous with methodological nepotism, which,

according to some authors [1] designates that situation in which out of convenience and because of the "publish or perish" rule applied increasingly often in today's academic world, researchers choose even from their youth to apply certain principles and methods that have been proven productive to date. The alternative, to challenge those methods is much less useful for the person who chooses it because of the reason suggestively presented in the example mentioned by us, given by the American professor. The objectors of fundamental economic theories inconvenience, most of the times, the representatives of mainstream economics and therefore risk not to be published in journals controlled by them. Or, it is exactly these journals that count the most in the majority of situations, when the evaluation of researchers is made by taking into account the rating systems which are based on the importance of the number of quotations of articles published.

In these situations a young researcher faces a choice between two alternatives: disputes the theory or adopts the theory: If the researcher choose the first option he may be wrong, especially where the theory is part of the hard core of economic science, supported by most researchers in the field, since it implies that they have analyzed it prior to its adoption and considered it accurate. However, if the young scientist is strongly convinced that he noticed a weakness of the theory in question, it is possible that the above mentioned argument does not stand. He may decide, in this situation, despite opposition from the "great minds" that preceded him, to challenge the theory in question. But he also should have where to do so in order to be heard. And the easiest way is to use the services of a well positioned journal within a rating system. Thus, the young researcher will choose from a specific list of publications the one among the first and corresponding in terms of treated topics to its research theme. This choice will be based on the rational expectation that a magazine dealing with similar research topics addressed by a particular author will be read by other researchers interested in those topics. Thus, by publishing the research results in such a journal, the researcher may notify the academic world that the old theory

is not properly grounded and should be replaced with a new theory, proposed by him.

If for the researcher this is the way forward to maximize the impact of his research, from the journal's perspective the situation changes fundamentally. In most cases, the journals that are highly rated in the economic sphere belong, or are managed by representatives of the mainstream thinking. It is natural to be so and believe that it will always remain the same, because, as we talk about current dominant thinking in a field, this means it was adopted by most researchers belonging to that field. Or in this situation, the young researcher we are talking about will be in the situation, not favourable to him, to send an article through which he wants to make the results of his research known, which challenges the fundamental theories of the field, to those persons responsible for the authorship of those theories, or their "grandchildren" (from the methodological and not biological point of view, of course). The chances of such an article to be published in such a journal are obviously extremely low.

The creators of certain theories or their supporters (who in the given situation are also the publishers of the type of journals we talked about) are facing the situation of either publishing the article they receive (which if it supports correct ideas, demonstrate their own theories, proving their futility and driving away the readers who share the same views with the editors) or reject the said article, defend their own theories, retain their readers and continue to be cited. The choice in this context is not difficult because, often researchers are not indifferent (and thus objective) about the fate of their own theories.

In the given situation the young researcher is facing two other alternatives from which he can choose: either to publish the article in a lower rated journal and therefore less visible, whose reviewers are not part of the representatives of the mainstream thinking and who could adhere to the ideas presented by the researcher and decide to publish the article that supports these ideas, or to abandon his contesting ideas and adopt the mainstream thinking. In the latter case the author can develop further research in which to cite authors that are part of the mainstream thinking, which he will send for

publication (with big chances of success) to journals in which those authors have published, which thus support them. In the first case the young researcher risks not to be quoted (or be rarely quoted) because his article will have reduced visibility, being published in a lower rated journal. However, in this case there is also the possibility that, if research results are accurate and have a major impact, the article to attract more and more supporters, to be increasingly quoted, to raise the rating of the journal in which it appeared and to overthrow the previous rankings, a situation known in the scholarly literature [2] as the long tail theory. This is, however, extremely rare because both researchers and representatives of academic journals know that the likelihood of such a case is extremely low and therefore, out of convenience, often tend to ignore it.

As a result of what was said so far, we find that the natural tendency of a young researcher who wants to become quickly known in the academic world is to become a practitioner of academic nepotism, his chances to succeed in this situation being on average, much higher than if he chooses the option of challenging the theories. We are certainly aware that the fundamental scientific theories known today from most fields belong to objectors of old theories, but most of the representatives of the academic world today cannot boast the paternity of such theories, but only of a number of studies, more or less quoted. Thus, in order to be a successful representative of the current academic world, the magic indicator that one must accomplish and which is more important than anything else is the "number of quotations" (of the article or the journal in which the article is published, according to specific national regulations).

National regulations have, as it can be noticed, a deep mark on the natural tendency to adhere to the practices of methodological nepotism, being possible to emphasize it, or to discourage it.

In what follows, we will try to present the effects of the Romanian national regulations concerning the evaluation of researchers from the academic environment on the mentioned tendency.

3. The evaluation system of Romanian academic research - stimulus or hindrance for the methodological nepotism

In recent years, in Romania, it was tried through legal regulations developed in the field of evaluating the scientific research conducted by the representatives of the academic environment, to align these criteria to those used internationally. Romania currently has an evaluation system which takes into account as determining factor the number of publications of Romanian researchers in journals classified by the number of appeared quotations. Thus, national legislation encourages the publication of articles in the most quoted journals which, as we have seen, belong to the economic sphere and not only to the mainstream thinking. If the young researcher we were talking about in the beginning of our article has not published the results of his research in these journals, he will not be able to advance.

Thus, we believe that the natural inclination of researchers to join the academic nepotism practices in Romania is backed by the legal regulations which amplify this tendency.

The supporters of this evaluation method of academic research will say nevertheless that such a system is practiced in all civilized countries. Such an assertion, however, ignoring the fact that it is at odds with reality, cannot be logically grounded in the case of Romania. If in developed countries in terms of research the methodological nepotism is encouraged, among others, in order to also preserve the hegemony of that state in that field of science, in our country such an approach can only encourage the maintenance of the current state of affairs, which not is desirable. Of course, it is not recommended either to use certain evaluation criteria that are different from all those used by other states, but must, in addition to the "classical" criteria, used internationally, to also create country-specific criteria to allow the development of the aforementioned "long tails" which the Romanian research in general and the Romanian economic research in particular certainly need. Using a single determinant criterion for evaluating the

Romanian scientific research is certainly not in its advantage and not in Romania's advantage.

4. Acknowledgement

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General Aspects on the Superior Education Sector in Romania and its Potential Contribution to Economic Development

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Abstract

The performances achieved in economy depend in a good measure on the possibility of developing innovative projects. The development of this capacity at national level is a goal that a country should always pursue.

In the present paper we intend to realize an analysis of some of the problems in educational sector and some performances of the tertiary education in Romania in comparison with other central and eastern European countries, in terms of some specific indicators, relevant especially for innovative process and the economic progress. Our statement is necessary for Romania as the indigenous human capital is clearly under-utilized by the neglect of public and private spending in education and research.

Key words: superior education, economic development, employment.

J.E.L. classification: I 21, J 21, J31.

1. Introduction

The present stage of evolution at global level and the open competition have generated the need of special attention in investing, at national or even community level, in the human resources which are supposed to be able to produce, adapt and implement innovations. This imperative is the main reason for which we tried to analyze in the present paper the situation of the Romanian tertiary education, which should be the first field to generate added value in what is concerning the preparation of the young specialists and their formation in a manner that will stimulate them to try to

bring their own contribution in their domains, through innovative projects.

Romania has a good potential in what is concerning the innovation possibility, fact that is proved by the numerous prizes obtained by the Romanian inventors at international competition in field, but in our opinion this potential is not only far from being utilized at its maximum capacity but it has not, in some cases, the possibility to affirm and develop. This situation occurs in principal because of the lacks of the educational system, especially of the tertiary education, which are not able to encourage the creativity and to support the exceptional students with low financial possibility. This system is created to pursue some immediate interest and goals and have little performances in what is concerning the long time results of the instructed students and their added value in the field they work. The systems based mainly on testing and individual study, the lack of interest of the teachers are only some aspects that require immediate measures. We do not intend to make here a qualitative analysis of the tertiary education, because of the low space available, but we hope that the presented facts and data will be sufficient to get an appropriate image of the issues we proposed for analysis.

In what is concerning the education and the tertiary education in general, other paths to change are possible. On a national level, we may consider Finland as an example. As the unemployment rates were almost 19 percent in the early 1990's, Finland consciously coordinated economic and educational transformation. The nation's effort to develop a creative and flexible knowledge economy was accompanied by the development of a significantly more decentralized education system. Finland now has a largely local curriculum and virtually

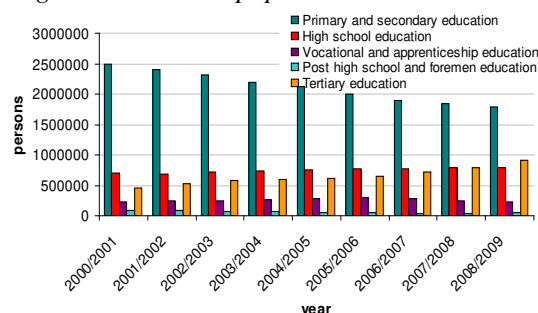
no standardized testing. Finns control teacher quality at the most important point, the point of entry. Applicants to teacher education programs have only a 1 in 10 chance of acceptance. Even though teacher pay is only average for industrialized nations, teacher retention is high because conditions are good. Within broad guidelines, highly qualified teachers create curriculum together in each municipality for the students they know best.

In classes rarely larger than 20, Finnish teachers know their students well. Teachers are free from excessive paperwork, endless external activities and they receive generous specialist support as needed. With these advantages, teachers strive for quality by quietly lifting all students up one at a time. In each university, the rector is seen as part of a "society of equals", not as a line manager. The results: Finland boasts with one of the best tertiary education system in the world. It also ranks at or near the top in economic competitiveness [1].

2. General considerations on education sector in Romania

Among the elements that characterize an educational system we can include transparency, simplicity, the accessibility of funds, investment in education, good remuneration of labor in education etc. To see which the situation of education in Romania is, we will present some data collected from the National Institute of Statistics. Thus, from Romania's total population of approximately 22 million inhabitants, we found that the distribution of persons registered in an educational system is as follows:

Figure 1. Enrolled population in Romania



Source: National Institute of Statistics, Bucharest, 2009

The educational sector in Romania presents the following characteristics:

✓ in *primary and secondary education*, as expected, we notice the highest participation (in the school year 2000/2001 there were 2498139 children and in the school year 2008/2009 their number arrived to 1790000). The trend is upward and a possible explanation of this fact could be more pronounced decrease of birth in Romania after 1989;

✓ in *high school education* in the period 2000-2009 is observed a slight increase of the scholars (from 694,376 in 2000/2001 to 792,000 in 2008/2009);

✓ the smallest rate of enrollment we meet in *vocational and apprenticeship education* and in *post high school* (220,000 persons in 2007/2008) and *foremen education* (46,000 persons in 2008/2009);

✓ in *tertiary education*, has been recorded a growing rate of schooling (from 452,621 persons in 2000/2001 to 907,000 people in 2008/2009).

Consequently, the analysis shows that the largest growth concerning the population enrolled in education, we meet after 2000 in tertiary education. Although the number of students increased approximately four times between 2000-2009 years, their percent per 1000 inhabitants in Romania is lower than in the other eastern European countries, and among the lowest in Europe. This is certainly a premise for some of the failures of this country, both economically and socially.

In the Table 1 are presented the number of graduates on different level of education in Romania, considering its population of 21.53 millions in December 2008.

Table 1. Number of graduates on level of education

Number of graduates on level of education	2006/2007	2007/2008
Secondary education	231800	219500
High school education	185300	187600
Vocational and apprenticeship education	150200	133800
Post high school and foremen education	15900	12700
Tertiary education	112200	125500

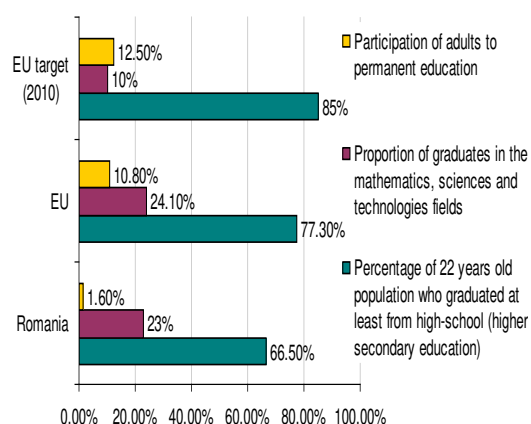
Source: National Institute of Statistics, Bucharest, 2009

Through the Lisbon Agenda, EU established 5 indicators showing the extent to which a country and the Union, in its totality, are capable to face the challenges of knowledge economy. Five EU benchmarks for 2010 are [2]:

- I. No more than 10% early school leavers;
- II. Decrease of at least 20% in the percentage of low-achieving pupils in reading literacy;
- III. At least 85% of young people should have completed upper secondary education;
- IV. Increase of at least 15% in the number of tertiary graduates in Mathematics, Science and Technology (MST), with a simultaneous decrease in the gender imbalance;
- V. 12.5% of the adult population should participate in lifelong learning.

Romania's positioning in relation with the third, fourth and the fifth knowledge economy indicators ("Lisbon indicators") is presented in the Figure 2:

Figure 2. Positioning Romania in relation with the Lisbon indicators



Source: after Eurostat, 2010

From the analysis of these data, a clear conclusion results: the current educational system is not capable to ensure a competitive position in the knowledge economy. We can see that these proportions are worrisome. Although the targets were established for 2010, we observe that for Romania will be quite difficult, if not impossible, to achieve this value, the more so as today the rate of premature leaving school is 23.6%. Another quite sad obtained result refers to PISA tests, where the percentage of those who have not

managed is 41% compared to the EU average of 19.4% [3]. Although the participation of parents in education is always vital, is only 1.6% the proportion of those who take part in this, there is therefore a great disparity with the EU average which is 10.8%.

Unfortunately, in Romania, despite the interventions up to now, great inequities are maintained. The belonging to the rural environment is associated with great disasters: currently only 24.54% of the children from the rural environment manage to attend high school. The proportion of students from the rural environment, who obtain poor results at Romanian, mathematics and sciences is 2-6 times bigger than that from the urban area; the proportion of those who obtain very good results at the same subjects is 2-3 time smaller [4]. The infrastructure and resources from the educational system are of poor quality. Over 82% of the total of school buildings were built before 1970, sometimes even much more time before, therefore their equipments no longer correspond to the current training standards. Only 36% of the schools are connected to the internet, their predominant majority being formed of the high schools from the urban area. The human resources are becoming alarmingly old (the age average of the didactic personnel is of 40 years old in women and 44 years old in men).

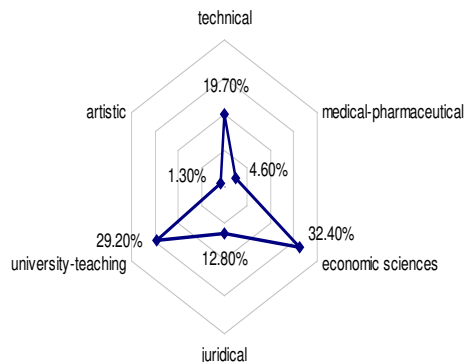
At national level, some specialists in education field have proposed a strategy, called *Education and Research for a Knowledge Society* and its objectives, which should be achieved until 2015, refers to [5]: situating the performances of Romanian students at the international tests (PISA, PIRLS, TIMSS) in the top 10 of countries in the world; the positioning of at least three Romanian universities in the top of the first 500 universities in the world; increasing the scientific production five times and tripling the global innovation index, in order to achieve the current average of EU; reducing the premature rate of educational system leaving under 5%, percentage that is currently of 23.6%; eliminating the essential differences between the rural and urban education, between the "learning" opportunities offered to the minority groups and those offered to the majority. Other objectives are transforming the permanent education in a current social practice at the

level of each public or private institution, the increase up to 20% of the adults' rate of participation to the permanent education, „transforming the didactic personnel in a professional elite of the nation", focusing the school on the beneficiary' needs, allocating at least 7% of the GDP for education and research and making the quantum of resources allocated to the units from the system dependent upon the effectively obtained results.

3. Characteristics and performances of tertiary education in Romania

In order to get an as comprehensive image of the preferences of students in the tertiary educations in Romania, we found appropriate to analyze the repartition, by group of specializations, in the academic year 2008/2009. A representation of this indicator can be seen in the Figure 3.

Figure 3. Repartition of students, by group of specializations: 2008/2009



Source: National Institute of Statistics, Bucharest, 2009

As it is easy to be observed, the percent of the students at economic sciences is the highest, fact that could be explained by the need of specialists in the field, educated in the capitalist spirit. Anyway, our opinion is that in the next interval, this percent should and will decrease, in favor of the other specialization, especially technical and medical sciences. We stated that the Romanian realities, especially now, in the context of economic crisis, affect in a very large measure all graduates. Jobs are hard to

find and the salaries are not very high. Also, the wages in education are a problem in Romania and the motivation to learn for the young generation is very affected. These facts put in evidence a sad reality. With low gains, far below the EU average, it is very hard to do performance. If we make a comparison with the U.S., presented in the Table 2, the situation is still dramatic.

Table 2. Earnings versus unemployment rate in U.S

Education attained	Median weekly earnings	Unemployment rate
	in 2008 (USD)	in 2008 (%)
Doctoral degree	1,555	2
Professional degree	1,522	1.7
Master's degree	1,228	2.4
Bachelor's degree	978	2.8
Associate degree	736	3.7
Some college, no degree	645	5.1
High-school graduate	591	5.7
Less than a high school diploma	426	9

Source: Bureau of Labor Statistics, Current Population Survey, 2008: <http://www.bls.gov/oco/home.htm>

Note: Data are 2008 annual averages for persons age 25 and over. Earnings are for full-time wage and salary workers.

The data show that, in average, an individual with 8 grades or less earn less than a person with a baccalaureate diploma; another 4 years of education may produce an increase in average earnings by 30%. An individual licensed earn much more, so that only 4 years of school may also almost double the anticipated income of a person while a person who has doctorate earn on average about 17% more.

But returning to Romania, it is difficult through a very small salary to get very high scientific results as people are not sufficiently aware that education plays a crucial role in the formation of human capital. Education increases, in general, anticipated earnings of

an individual during his life, being seen as a long term effort [6]. Therefore, earnings are, among others, a motivation that determines the "brain" to go out of the country in the U.S. or in other European countries where they earn more.

In order to have optimal results is normal as remuneration to be increased in Romania although, in medium perspective it is very difficult to specify what will happen to this country education. If before installing the financial crisis, spending for research and development were relatively small as a percentage in GDP, now, when the situation is more delicate in financial terms, certainly the funds addressed to education will be lower.

In what is concerning the employment rate, by highest level of education attained -; Tertiary education - levels 5-6 (ISCED 1997), we can see in the table below the percentage in some central and east European countries, including Romania.

*Table 3. Employment rate, by highest level of education attained;
Tertiary education - levels 5-6 (ISCED 1997); % of age group 25-64 years*

Year	2005	2006	2007	2008
Hungary	82.5	81.2	80	79.5
Latvia	84.6	86.9	86.9	86.9
Lithuania	86.3	87.8	88.1	87.7
Romania	84	86.1	85.8	85.7
Slovenia	86.6	87.8	87.5	87.5
Slovakia	83.2	83.9	83.1	83.8
Poland	81.1	81.7	82.8	83.7

Source: Eurostat

The obtained percent in Romania is not far from the average of the countries analyzed. But, if we have in consideration that the number of students per 1000 inhabitants is in Romania one of the lowest in Europe, the gap is still present. An eventual increase of the student number in the future, although welcomed, will face the limited possibility of absorption on the labor market, because of the low competitive economy (including the private sector), especially after the economic crisis. Only a very optimistic scenario could have in consideration that the employment

rate, by highest level of education attained will remain the same or it will increase.

4. Comparison on innovation impact on productivity

The data presented, sustain our appreciation that Romania could, with an appropriate strategy, to gain an important place and advantage between the countries with the highest rate in what is concerning the innovation possibility. In the table below are presented the proportion of the turnover from innovation in the total turnover in some countries in central and east Europe, including Romania.

Table 4. Turnover from innovation (% of total turnover)

Year	2004	2006
Hungary	7.0	10.5
Latvia	5.1	3.4
Lithuania	9.7	12.4
Romania	16.6	18.5
Slovenia	14.3	13.3
Slovakia	19.2	16.7
Poland	13.5	10.1

Source: Eurostat

The permanent need to adapt of our people, due the challenges faced in the last five centuries, have developed creative skills which should be used with no delay in producing prosperity. The fact that the innovations have an important role in economic growth, can be deduced from the following table, in which are presented the growth rate of labor productivity per hour worked in Romania and some central and east European countries.

Table 5. Growth rate of labour productivity per hour worked, % change over previous year

Year	2005	2006	2007	2008	2009
Hungary	3.8	3.5	1.5	1.9	-2.9
Latvia	7.1	8	7.5	-1.2	-2.3
Lithuania	1.7	6.8	5.7	1.6	-7.5
Romania	5.4	6.2	5.4	7.6	:
Slovenia	21.7	6	4.5	-1.2	:
Slovakia	3.2	6.8	8.4	2.3	2
Poland	1.5	2.9	2.3	1.6	:

Source: Eurostat

The positive trend of the labor productivity is an important gain for the Romanian economy, but it should be interpreted having in consideration the fact that Romania has one of the lowest levels in Europe in what is concerning this indicator.

5. Conclusions

We have highlighted in the present paper some characteristics of the Romanian tertiary education, and some indicators on its performance and we tried to highlight the fact that, although with an insufficient number of students and with many other unsolved problems (like the insufficient number of students in the mathematics, sciences and technologies fields), Romania prove its potential through positive results in what is concerning turnover from innovation and growth rate of labor productivity per hour worked.

This situation makes us conclude that if Romania will increase the investment in human capital, we could hope for the future at economic growth and an increase of the standard of living. No matter how many funds the European Union or any other international financial institution allots us, without an understanding and a significant effort to increase the quality of educational system, and especially the tertiary one, Romania have no chances to improve its condition.

The example offered by Finland is relevant. There is no excuse for the lack of action in this field, as without it, the future is compromised. The benefits of investing in human capital are in the same time individual and general. This means that the governments should play without doubt the central role in the direction of forming and developing the human capital. A solid frame should be built in what is concerning the education, which should not limit the responsibility of all citizens in this direction.

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World Economic Crisis: Present and Future

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Abstract

The effects of the financial crisis that began in 2007 are still being felt in the global economy.

Despite the fact that its low point was apparently reached, the economic recovery will last long, with an economic growth below potential and a gradual decrease of unemployment over several years. Developed countries with major economies emerged from recession in the second half of 2009, but economic performance is uncertain. In 2012, the world will enter a new phase of recession. Will the great powers find the solution to get out of the crisis?

Key words: global crisis, global economy, bankruptcy, developing countries, recession

J.E.L. classification: A10, E31, E60, O11

1. Worldwide crisis premises. Evolution to present time

The current crisis was triggered by the chaos in the financial system in the United States and through the globalization that included the Western Europe and then rapidly spread worldwide.

The attempts of the Americans to make massive infusions of funds into the financial system, to acquire shares in bankrupt institutions and reduce taxes have failed to restore public confidence in the banking system, in real estate and investment funds and the capacity of the authorities to regulate credit markets.

In 2008, the shares traded on international markets fell by 20-70% of the value they had in 2006, 2007. This makes the priority for political leaders in a large number of countries to be preventing the collapse of the financial system through coordinated anti-crisis measures.

The crisis has affected developed countries, then emerging countries and also countries on their developing process that were thought initially not to be affected all too much, because they were not strongly anchored in the global financial system.

Although emerging countries are not at the origin of financial and economic crisis, they suffer the most dramatic consequences due to the expansion from developed countries because of unconscious leadership of financial institutions, due to speculative practices and the immoderate desires to obtain quick and artificial profits from real economy.

Emerging countries have been affected by financial and economic crisis more serious than anticipated, thus their economic growth slowed down despite the years before this crisis, some of these countries have made it possible to reduce external debt, have created new jobs, have helped boost their business activities and have attracted development funds. The first signs of crisis were visible in the second half of 2007, and the effects on the real economy occurred in 2008 with the political, strategic and social consequences.

All sectors of emerging economies were affected. The impact trade on the current account decreased, economic growth fell and unemployment rose. Foreign investment level also decreased due to the economic prospects of developing countries affected by the economic recession and decreasing the ability of firms to make investments, due to their difficulty to access funding sources and increasing of the financing costs.

Due to massive investments made in the years leading up to the crisis, many investment projects were in progress when the crisis began. Some of these projects have not been completed due to decreasing funding investment and thus uploading the banks' balance sheets with unperformed loans, and the other part was completed, but with an excess in production because of the

lack of power absorption on the market, increasing the deflation risk.

Many developing countries survive by exporting raw materials and agricultural products, and one of the crisis effects is to reduce substantially their exports in the context of severe reduction of trade expansion rate recorded on the last decade. Some exporters of the developing countries also face difficulties in obtaining commercial loans, which are essential for them, and this affects the export sector.

In developed countries, the crisis begins to diminish; however, they are amplified in developing countries, sinking more and more in this continuing crisis. Developed countries have passed more easily over the effects of the crisis, being just a temporary interruption of their prosperity, while in developing countries an entire generation will be seriously affected by poverty. During previous financial crisis, poor countries passed through the food crisis, which led to higher prices of basic products affecting subsistence of millions of people. They were also affected by the energy crisis, leading to depletion of most resources, especially in countries that do not own petrol or natural gas resources necessary to carry on economic and crisis activities generated by the climate change, with drastic consequences in developing countries, where crops are affected infrastructure is destroyed.

Stretching the crisis on a long period in developing countries constitutes an obstacle in the global growth. Around 1.4 billion people live in poverty in developing countries and any economic crisis has disastrous consequences for them.

2. Forecast

In comparison with the 2010 forecasts of the International Monetary Fund, the 2011 economic recovery has become even more uncertain. The global economy is at the from over 5 percent in 2010. Real GDP in advanced economies is expected to grow slightly from a rate of about 1.5% in 2011 to 2% in 2012.

WEO proposes four solutions for solving the debt crisis: repairing the defects of the current system, a reform in economy, rebalance and reconstruction of economic

confluence of two negative developments. The first is the slow evolution in early 2011 of the developed economies as some of them have failed to understand what was happening. The second is the pronounced increase of the uncertainty in fiscal and finance area. Each of these developments is disturbing and their interaction and combination can cause serious damage.

The growth that was felt in 2010, decreased this year, which did not cause too much concern. This slowdown was forecasted as following the events that took place in the world: the devastating earthquake and tsunami in Japan and the turmoil which occurred in gas production

The economist Nouriel Roubini, who predicted the economic crisis of 2008, predicts a new global recession in 2012, which will affect mostly Brazil, Russia, China and India. In a television interview for Bloomberg TV in August 31, 2011, in the show "We are going into a Recession", he said: "The global economy is now in a state worse than it was three years ago, and the causes that led then to the global financial earthquake seem minor in comparison to the problems that the great powers are facing nowThere is a 60 % possibility for a new recession to install next year and, unfortunately, time is running and we have not acquired yet the well-developed policy tools We will deal with a monetary relaxation (reduction of interest) and quantitative easing, made by Federal Reserve System and other central banks, but the credit channel is collapsed, the markets are growing a lot now waiting anxiously forecasts for the third quarter, but I think it will be a short term rally. Macroeconomic market, labor market and credit market will have an increased decline and they will begin to correct themselves again".

World Economic Outlook Projections (WEO) indicates that global growth will drop to approximately 4 percent by 2012 mechanisms. Will they be effective to mitigate the effects of global financial earthquake?

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Revitalizing Agriculture, a Way out of Crisis for Romania?

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Abstract

Although affected by the crisis, in a lesser extent than developed countries, Romania can find the strength to recover by giving greater importance to agriculture, by implementing a coherent set of measures to support production and productivity of this sector.

Regarded from a traditional perspective the agricultural sector refers to activities that relate to the exploitation of the earth in order to raise plants and animals. Although our country has an agrarian vocation due to weather conditions and terrain, but also the skills of most of the labor force, agriculture is not sufficiently supported in terms of financial and investment in order to make performance. To reduce this handicap, it takes a larger integration of the sector in the modern and financial market mechanisms.

Key words: economic crisis, the agricultural sector, economic growth, modernization, financing, competitiveness.

J.E.L. classification: E 23, E60, J43, O13

Romania's economy experienced the effects of the international crisis. The banking system was less affected because it was not exposed to toxic bank assets and was protected by the prudential and administrative measures of NRB. Also, the recession in the developed countries affected to a lesser extent in sectors of the Romanian economy, because Romania was not a major player in global stock market and the fact that Romania is not in the euro area contributed to maintaining a fiscal and monetary balance. Another factor was the influence of low level credit default swap, of 245, lying after other nine countries with greater risk as Greece, Italy, Ukraine, Portugal, Ireland, Spain, Iceland, Croatia and Hungary.

In 2009 services were affected, tourism, the decrease of 6% GDP (gross domestic product), and in 2010 there were affected the constructions, the construction materials and hence the real estate sector.

The agriculture suffered insignificant decreasing in comparison with other sectors of the economy, recording in 2009 a decrease of 1.1% while the economy was decreasing by 7.1% and 0.8% in 2010 while the economy decreased by 1.3% .

This differential evolution of agriculture from other sectors is due primarily to the fact that agricultural goods are goods of first necessity with a relatively constant demand, and secondly the product offer is influenced by the weather conditions, so at a worldwide level, a low offer combined with a constant demand leads to higher prices, diminishing the decreasing in agriculture in 2010.

Romania is an emerging country by the fact that major industries are low added value and energy-intensive and agriculture can change economic performance from growth to recession and vice versa.

Agriculture can develop and can maintain growth in a positive territory. Romania has the potential to feed 80 million people.

In the second half of the nineteenth century, Romania occupied the second place in world grain exports and nearly 92% of the population was living in villages and was engaged in agriculture.

Romania was one of the main exporters of wheat and was regarded the "breadbasket of Europe" before the World War II, when the price of wheat was established in Braila.

Romania's arable land is 9.427 million ha and represents 61.6% farmland in Romania. It amounts to 14.7 million hectares, or 23% of the arable land of central and eastern European countries and 12% of the arable area of EU countries, ranking the 6th place with a value of about 0.41 ha / inhabitant. The GVA (gross value added) in the

economy is 6.26% in 2009 compared to 1.9% EU average.

The variation of the relief, climate and soils enable for a varied production, thus practicing cereal crops, industrial crops, fodder, vegetables, horticultural and ornamental plants, flowers, seedlings, saplings, potatoes and fruit. Add to this the hill and mountain pastures, ideal for a natural and healthy food for animals. The share of the agriculture in GDP is only 10-11%, although 40% of the Romanian population lives in rural areas.

Currently, there is a lower level of subsidy than subsidies in EU and on the cultivated land there is a differential subsidy system to encourage high-cost crops (except for sugar beet crops, tobacco, flax, hemp fiber and hops).

Lately, the government sought to protect small farmers through the "first crop" program from the risk of losing a price margin in favor of traders because of their inability to store or put up with storage expenses in order to sell at a high price on term. This initiative was not appreciated by Romanian farmers because of bad speculation on price increases on term.

Also, another maintenance measure of the government was to encourage the fusion of the agricultural areas by providing an annuity for land owners over the age of 60 years who quit their land in favor of registered agricultural land holdings. This measure has not continued this year, due to EU restrictions, however, the owners who do not cultivate the land will be fined, thus encouraging land fusion.

Romanian banking environment has become more permissive and attractive in the last months in financing the agricultural sector, allowing medium and large farms to better control costs, to perform the agricultural work on time, becoming more competitive and more profitable.

Romania's integration in the EU has allowed financing for farmers with holdings of over 200 ha of funds for modernization and retooling that reduce the significant productivity and efficiency differences from other EU countries.

In order to achieve a level of development similar to that of other states' agriculture it is required a considerable investment volume in the Romanian sector.

It came into force the National Programme for Rural Development through the European Fund for Agriculture and Rural Development which is an EU funding instrument to support Member States to implement the Common Agricultural Policy.

On medium and long term the advantages obtained increased agricultural productivity, stimulating the development of medium and large agricultural holdings and improving the EU market access for agricultural products.

Price formation for agricultural products in the current economic situation is not strictly about the game of supply and demand, given the complexity of the mechanism which influences these developments.

International prices have increased significantly in the last years due to increased demand for nourishment influenced by the increased number of inhabitants and standard of living in Asia. There has been an increased demand for bio fuels in the U.S. and the EU where under severe weather conditions the agricultural production has been drastically reduced in most countries. Accelerated economic growth of China and India were reflected in the evolution of the food stock commodities, energy and metals. Romania may be competitive in organic or eco crops; its potential is of 1.5-2 million hectares of cultivated land in organic system. The revival of agriculture in Romania may be a solution for Romania to exit the crisis and mitigate its effects as up to now. The agricultural sector may involve a large part of the population and may interfere with several adjacent sectors.

A modern agriculture requires the application of modern technologies in terms of quality seeds, chemical fertilizers, herbicides, insecticides and degree of mechanization, as well as advanced integration in modern market and financial mechanisms.

For 2012, a growth factor will be the absorption of European funds. The WEO mission chief says that "the investment projects financed from European funds could be an important engine of growth".

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Influence Factors on the Value of Reliability Estimators in Marketing Research

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Abstract

This paper presents a number of issues related to research instruments reliability estimators.

The first part presents an introduction into the field of instruments reliability and reliability estimators reviewing some important research in this field.

The objectives of the doctoral thesis focuses on the discovery of external influences on the value of reliability estimators, objectives outlined in the second chapter of the paper. In the third part, Cronbach Alpha estimator is briefly described, with its advantages and disadvantages, while in the final part are presented some limitations of this estimator and a possible solution to overcome a part of them.

By overcoming these limitations and by finding possible external factors that influence reliability estimators we can ease the titanic work that marketing field researchers realizes to adapt their research instruments to the environment (target population).

Key words: reliability, internal consistency, reliability estimators.

J.E.L. classification: M310, C130.

1. Introduction

Research instruments are those that provide the way to progress for any science. The safer they are and the better they are suited to their purpose, the more the data they collect will help in developing conclusions more relevant and which accurately reflect the reality, the phenomena, the actions, the intentions, the perceptions or any other issue which the researchers aimed to clarify.

To provide useful data, research instruments must simultaneously fulfill two conditions: to be valid and to be reliable. Reliability is given by the consistency of an instrument on the measurement of a phenomenon. More precisely said, reliability means that for many measurements of the same phenomenon the instrument should provide the same result. This does not imply, however, that the result should be also the correct one. Validity on the other hand implies the accuracy of the measurement, meaning that the instrument really measures what it says it measures. For example, a scale which will indicate each time the value of 9 for an object with a mass of 10 kg is reliable, but is not valid. If the scale indicates the value of 10, it will be a valid instrument.

To be valid, however, an instrument must be, first of all, reliable. To measure the reliability there have been developed over the time a number of techniques and methods, each one with its particularities.

In marketing research, the most used reliability estimator is the indicator Cronbach's Alpha, developed since 1951 by Cronbach, as a generalization of another estimator used until then, KR-20, created in 1937 by Kuder and Richardson.

Alpha estimator has been and continues to be, maybe because its excessive use, the subject of extensive analysis and controversy. Several authors question the estimation power of this indicator and seek alternative methods for estimating reliability [1], [2], [3], [4]. Others seek ways to improve the quality and the predictive power of the estimator by identifying factors influencing the level of its values. Most such research focuses on internal factors such as the number of scale items, type or length of the scale test [5], [6], [7], [8]. Lately they occur a small number of attempts which seeks to investigate the possible influence that different external factors may exert on the

instrument's reliability estimator value, factors not related to the instrument [9].

Such influences are very important for marketing, where external factors are varied and always changing. Determination of causality or such influencing effects would greatly help researchers build their research instruments more proper to their purpose and to quickly adapt them to the characteristics of the population studied.

2. The Purpose and the Objectives of Doctoral Research

The proposed doctoral thesis has a multidisciplinary approach, whereas the achievement of the aim and objectives requires knowledge of marketing, statistics and econometrics.

The paper is realized from the perspective of the marketing researcher who wants to know and master the external factors of influence on the precision of the instruments used in research. To get better results, research instruments require to be best adapted to the environment where applicable. A good knowledge of the possible factors that may affect the accuracy of the instrument can facilitate this adaptation.

The study implies a theoretical part and a practical part. The theoretical part aims introducing the context and establishing the current state of knowledge in the field. The practical part follows the discovery of possible external factors influencing the estimator Alpha's value and the determination of the direction and intensity of these influences.

The overall purpose of the research is to discover and test one or more regression equations which capture the relationship between the estimator Cronbach's Alpha's value and the most important external factors of influence.

The general objectives of the research are derived from its purpose and are the following:

- Discovering the external factors that has influence on the value of Alpha;
- Discovering the intensity and the directions of that influences;
- Creating the regression equations to link the value of Alpha to the external factors of influence;

- Testing the previously developed regression equations.

Following will be presented the methodological approach proposed for achieving the overall goal and the objectives of this research.

3. Methodology Proposal

The first part of the work is represented by the literature review, in which is made an introduction in the field, is presented the current state of knowledge in the domain and are underlined some relevant research, direction pursued by these, and limitations they present for the estimator Cronbach's Alpha. To overcome some of these limitations we realized, together with the distinguished colleague PhD. Ruben Seiberlich, from Konstanz University, a code in GAUSS programming language, with the help of wich much of the limits that estimator Alpha posed can be overcome, if certain assumptions are taken.

The next part of the work, the practical one, implies a series of steps:

- Step 1. Selection of a number of three scales commonly used in marketing, to be applied for data collection;
- Step 2. Data collection. This includes defining the population (as wide as possible), setting the sample (must be representative to satisfy the conditions of Bootstrap) and conducting the survey;
- Step 3. Data analysis and model development. This includes database making, data analysis (using SPSS, GAUSS) and model development (using SEM, SPSS).

In the section below I will shortly present a number of studies refering on Cronbach's Alpha, a number of limits that this estimator presents and the solution I propose for overcoming some of these limits.

4. Cronbach's Alpha. Limits. Bootstrap

4.1. Cronbach's Alpha – a controversial but still used estimator

Cronbach's Alpha is questioned for many years. Subject such as how to interpret its results or the excessive use of it to verify the

reliability of a research instrument created long term debates and controversy.

If initially were considered reliable tools that received a score of minimum of 0.70, after the recommendations of Nunnally and Bernstein [10] or 0.77, as recommended by Peterson [11] a number of other authors like Bernardi [1] come to validate that are precious and anchored in reality some research with Alpha value less than 0.70 [1], [10], [11]. Others such as Iacobucci and Duhachek are more cautious in interpreting the outcome and suggests us to consider the probability of the coefficient Alpha and to consider this coefficient as a part of its confidence interval and not as a fixed value [12]. Therefore, if the interval falls too low it is possible that the instrument may not present a high degree of confidence, even if its estimator value is above 0.70, for example. Otherwise, even if Alpha's value is below 0.70, the confidence interval can pass its threshold, so Alpha might be in that area and the instrument might be valid; that would explain demonstrations like that made by Bernardi [1].

A number of other authors such as Van Aelst and Christmann attempts to improve the power of Cronbach's Alpha estimator by eliminating its infancy sensitivity of some disturbing factors (outlier in this case). Through these changes the two authors create a more accurate estimator which will estimate the level of confidence of the majority of data obtained by eliminating data with other sources [2].

Others such as Tarkkonen, Puntanen and Vehkalahti go beyond, building an estimate more powerful with a more generally coverage area, for which Cronbach's Alpha is just a special case, one-dimensional and which can be used only with observance of certain restrictions. Estimation power of this new estimator is much higher because it exceeds the particular problems that Cronbach's Alpha presents [13].

Over the time there have been some research on the the influence of some factors on the value of reliability estimators, but these factors were always internal factors related to the number of constructs involved in the test construction scale, the scale type (formative or reflective) or the length of the test, factors that can be put in general under

the responsibility of content validity or criterion validity [5], [7], [12].

A small number of researchers focus their attention to the possibility of influence manifested by a series of external factors on the level of estimator Cronbach's Alpha value. Among them point to remember is Montag, who made an extensive study on the influence of completing rate on the estimator [9]. The results indicate an insignificant influence of this factor on the value of the estimator, but is a step towards consideration of external factors of the instrument as being possible factors influencing the estimators value.

4.2. Limits in the use of Cronbach's Alpha estimator

Besides the construction limits of the estimator, as indicated by Vehkalahti, Puntanen and Tarkkonen, there are many shortcomings that Cronbach's Alpha presents [13]. Of them I will mention only some, which I will try to focus in my doctoral paper:

- We can not make a distribution and therefore we can not apply tests;
- Does not allow comparisons between two measuring instruments;
- Because we do not have a distribution we can not make a statement regarding the representativeness of the differences obtained between two or more values of the estimator for separate groups of subjects;
- The estimator value is obtained after the fact and therefore we can not know the consistency of an instrument until we apply it;
- The obtained consistency is valid only for the sample which it has been applied to and by extrapolation to the population to which the sample is representative.

My doctoral thesis will focus on searching solutions for some of these shortcomings, beginning with creating a simulated distribution and facilitating some techniques of comparison between different values of the estimator, in a studied population. By facilitating comparisons between different values and if I will try to find out if external factors may have significant influence on Cronbach's Alpha value, and if so, which are

the most important factors of this kind or/and where are they coming from.

4.3. Overcoming certain limits using Bootstrap

The Bootstrap method is very useful in overcoming certain limits presented by some of statistical indicators. This method can also be used to overcome some of the limits that the Cronbach's Alpha estimator presents.

For a possible solution of some of problems that the Alpha estimator presents, in this paper I propose a simulation of the estimator's distribution, using GAUSS programming language, by the Bootstrap technique, based on a sample that we consider representative for the target population. To keep in mind that we assume that the sample is representative, without this assumption it would not support the conclusions.

Bootstrap method will be used to verify the significance of the difference of Alpha values' for two groups with different sample characteristics; different characteristics can constitute the factors that influence Alpha values. Bootstrap method contribute to the achievement of the objectives regarding the identification of external factors influencing the estimator.

5. Conclusion

In conclusion, to make precious research, researchers need instruments that accurately measure the phenomena of concern; these tools must be reliable. This paper is a research proposal for a thesis that seeks to overcome some of the problems encountered by the researchers, especially in the field of marketing in the process of evaluation and adaptation of research instruments. The findings of this thesis could ease the work of some of the researchers in their efforts to adapt their research instruments to the environment by providing guidance about the external factors that may influence the research instrument's reliability estimators value.

6. Acknowledgment

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Studying Motivation and Productivity in Academic Research. A Methodological Proposal

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Abstract

This study is a brief overview of the field of motivation and productivity in academic research and, also, of the link between these two concepts. It presents the factors that influence teachers' motivation and productivity and a methodological proposal for data collection. There are described the steps proposed for the collection of data: developing the instrument, testing the instrument, data collection, data analysis and model development. In addition it comprises a brief presentation of the steps undertaken so far and also the results I have obtained (regarding the instrument development and the content validity test).

Key words: academic productivity, content validity test.

J.E.L. classification: J21, J23, M30.

1. Introduction

The performance of academic employees who have a dual role as both teachers and researchers, determines the quality of educational act experienced by the students.

Most universities have a mission to provide students a quality education act. This mission can be accomplished only through teachers; therefore, their motivation is crucial. In addition, research has an important role. First, keeps alive teachers interest on their topics of interest and secondly, helps achieve a positive image of the institution they work for.

Authors such as Rowley believes that teachers who are well motivated publish a lot, and this leads to their international recognition and, hence the recognition of university which they belong. This has a positive impact in terms of several aspects:

valuable students are attracted, funds for research are attracted and consulting contracts are signed. For this reason, the motivation is considered the key to success in increasing the quality of higher education [1].

In addition, measuring the output of a researcher is becoming increasingly important for justifying the acceptance of projects, for selecting some researchers, or for providing some scientific awards [2].

From this perspective, identifying factors that increase the motivation of university teachers is useful both in local level, to universities leadership and in the national level, for those in ministry that can sustain a national strategy to increase the country's international visibility.

The doctoral paper proposed is multidisciplinary in nature, since the attainment of research goals requires knowledge in several areas such as marketing, psychology, human resources and statistics.

The paper is made from a marketer's perspective who wants to know the factors that motivate researchers from academia (professors) to be able to act on them to improve the "product". In other words, researchers are considered a product (through their output: publications, projects, inventions, etc.) that must be stimulated and promoted nationally and internationally. So, from this perspective, an "advanced product" can only be achieved by influencing motivational factors.

Although analysis of motivation is not a new area, applied research studies in academic area are very rare and almost non-existent on the Romanian market.

2. The Purpose and the Objectives of Doctoral Research

The purpose of doctoral research is to build and test a model of motivation to research for teachers of economics and business in Romania. It also aims to find out the link between motivation and productivity in academic research.

Overall research goals derive from its purpose, as follows:

- identifying factors that influence motivation and performance in academic research;
- developing a suitable model to measure motivation and productivity of economics professors in Romania;
- identifying the link between motivation and performance in academic research;
- providing some guidelines for increase economics professors motivation (this goal has prescriptive character and it is secondary one).

This paper presents the methodological approach proposed for achieving these objectives and the stages completed so far.

3. Methodology Proposal

To define and delineate the area studied, as well as to identify factors that influence teachers' motivation and productivity I had proposed a literature review.

In order to develop a motivation model of Romanian professors in economics I had opted to conduct a survey. On the other hand, for collecting data regarding the productivity I will use the annual universities reports. For obtaining all the data I need, I had proposed four crucial steps:

- developing the instrument (identification and evaluation of the main scales that can be used to measure motivation in research - the finality is to choose the most appropriate one; evaluation of the indexes and indicators identified in the literature for measure the academic research productivity - the finality is to choose the most appropriate one; extraction of variables necessary to measure teachers' motivation and productivity in academic research - the finality is to build the questionnaire);

- testing the instrument (scale translation - using two-way translation; testing content validity - using expert judges; testing face validity - using the opinions of a small sample of respondents; pilot survey and final instrument development);
- data collection (defining the population and the sample; choosing the survey type for collecting data regarding teacher motivation; conducting the survey for collecting data regarding teacher motivation; collecting data regarding teachers' productivity from the annual reports of universities);
- data analysis and model development (making a database that includes the data on motivation and productivity of teachers in economics; data analysis - including data treatment - and model development using Structural Equation Modeling).

In the next section I will make a brief presentation of the steps undertaken so far and also the results I have obtained.

4. The Results Obtained So Far

- **The studied domain: definitions, variables, ways to measure**

Motivation, initially studied by researchers in psychology, is one factor which has sparked the interest of persons from various fields. Marketers turn to studies motivation in several circumstances: when they want to anticipate consumer behavior, when develop or promote a product, when they want to establish strategies for a product or a company etc.

The word "motivation" comes from the Latin word "movere" which means to move, to do [3], [4], [5]. Currently, the concept of motivation has more than 140 definitions, most of those being centered on the mechanism of activation and supporting the effort to achieve certain needs or aims [6]. However, paradoxically, in the early twenty-first century the domain is considered being atheoretical, contestant and poorly predictive [5].

One of the simplest definitions of the concept is the following: motivation can be defined as a force that makes us move, act or do things [3]. Intrinsic motivation refers to engaging in an activity only for the work

itself. Extrinsic motivation refers to engaging in an activity to get a reward separable from the activity itself [7], [8], [9].

In literature there are some studies that explored the influence of different variables on motivation to research: money and prestige [10]; motivating factors and demotivating factors [3]; the assessment of work done, good working conditions, pay, assistance in case of personal problems, involvement in decision making, job security, loyalty to employees, free choice of subjects to teach, promote and professional development and teaching field [11]; intellectual challenge, social status, career advancement, professional recognition, contributing to the emergence of new knowledge, personal pleasure, material rewards, participation in professional organizations and the development of processes/ products [12].

The research is part of the job duties of university professors. To investigate teachers' motivation to do research I had identified four adequate scales that measure the motivation at work: WOFO - Work and Family Orientation Questionnaire [13], WPI - Work Preference Inventory [14], WTMST - Work Tasks Motivation Scale for Teachers [15], MAWS - Motivation at Work Scale [16]. After analyzing the items of these scales, in accordance with the objectives of doctoral research I chose WPI scale.

Evaluation of scientific research is crucial but it is not easy to measure academic productivity, even though numerous studies have been conducted in this area. In the past, productivity was measured mainly in terms of quantity. Now, academic productivity is measured in terms of both quantity (e.g. number of articles) and quality (e.g. peer review, number of citations, journal reputation).

Bibliometric indicators that measured academic productivity can be used for different levels of analysis (countries, regions, institutes and centers) are they are described extensively in literature [17], [18], [19]. In contrast, indicators that measured individual performance are less studied because they are considered a big challenge. This is due to the need of collecting a complete and accurate database [17].

Studies that have examined individual performance have used different data sources: c.v. [20], [21], institutional reports [22], questionnaires and surveys [23], bibliographic databases [24], [25].

There are numerous bibliometric indicators being classified in different ways [26], [2], [27], [28], [29]. Some of them take into account only one variable: papers, citations, authors, patents or journal impact, and we can call them simple indicators. The others take into account of at least two variables among: the number of paper, the number of citations and journal impact, and we can call them composite indicators. The indicators that focus on the number of paper and the number of citations are: h-index [28] and its more than fifty developments (for a complete list and short description see [30]). The indicators that focus on the number of papers and journal impact are: CLpn [31] and its developments (e.g. indicators for economics and business administration developed by Handelsblatt Institute see [24]).

The simple indicators do not provide a complete view of productivity, which is why I opted to use a composite indicator. I analyzed the weaknesses of these indicators and I took into account the small average number of citations in the economic field, and I concluded that the most appropriate indicator for this research is CLpn (which is developed for economic field). Even so, there are no perfect bibliometric indicators, in results interpretation being necessary to take into account its limitations [32].

The literature comprises some studies that explored the influence of different variables on academic productivity: age [33], the field of specialization, academic pedigree, present academic environment, personal circumstances, academic and biological age [34], life cycle [35], financial rewards [36], promotion [37].

The number of studies that analyze the link between motivational factors and productivity in academic field is quite limited. Those studies analyzed the link between productivity and: intrinsic and extrinsic factors [38], desire for promotion [39], doctoral program graduated [40], the affiliations and the school graduated by the researcher [41], individual determinants and collective effect determinants [42].

Each of these studies was focused on different areas, taking into account only a limited number of variables. Among these variables, for my doctoral research, I selected the following variables:

- for measuring productivity (by using CLpn equation): number of ISI articles, number of pages for each article, number of authors for each article, publication year for each article, the journal where each article was published, the impact factor of those journals (by using EconLit weighing scheme). These data are available on university reports starting with year 2005.
- for measuring motivation to do research (by questionnaire, using WPI): enjoyment scale and challenge scale (for intrinsic motivation), outward scale and compensation scale (for extrinsic motivation). For details about the items and variables see [14].
- professional occupation data (by questionnaire): academic position, the year when doctoral studies started, the year when doctoral studies were graduated, year of hiring in university, the average number of weekly hours allocated to teaching activities, the average number of weekly hours allocated to research.
- *demographic data* (by questionnaire): age, sex, income.

In addition, the questionnaire will include a few items from a scale that measure social desirability (see [43]). These items will be used to verify the sincerity and to remove the outliers.

- **Scale translation and content validity**

WPI has 30 items. Those items are written in the first person, and respondents are asked to indicate the extent to which each item describes them (on a 4 point scale, from 1= never or almost never true about me to 4= always or almost always true about me).

For translation I used the two-way translation method. First, I translated the scale from English to Romanian. Second, I sent the Romanian version of the scale to an authorized translation centre. Comparing the two versions in English, the original version and the one obtained after translation, I found out that 9 of 30 items had remained exactly

the same. The other 21 items have kept the meaning even if the words did not remain exactly the same.

After translation, I tested the content validity of the scale. Although it was tested for the American context, to make sure the instrument I use is valid I consider that content validity testing is necessary for the Romanian context as well. In this way I can ensure that the questions I will use didn't lost the meaning and they are representative for the analyzed domain.

The content validity is testing if the instrument appears consistent with the theoretical domain of the construct in all aspects, including item wording, response formats and instruction. For that, the items are evaluated by a number of experts in the analyzed domain. Therefore, I offered the Romanian version of the WPI scale to six professors with knowledge in human resources (since I analyze the work motivation). These professors were asked to rate how well each of the 30 items of the scale reflect the different dimension of work motivation using the following scale: 1 = clearly representative, 2 = somewhat representative, and 3 = not representative at all. They were also asked to signal any problem regarding the writing or the meaning of the items.

Results showed that five of the items have the mean bigger than two, which means in the professors' opinion those items are somewhat unrepresentative for the domain. These items are: "I prefer to figure thing out for my self" (2,17), "I believe that there is no point in doing a good job if nobody else knows about it" (2,33), "I prefer working on projects with clearly specified procedures" (2,17), "I'm less concerned with what work I do than what I get for it" (2,5) and "I prefer having someone set clear goals for me in my work" (2,33).

Regarding the writing and the meaning of the items I received the following suggestions: to move the item "I have to feel that I'm earning something for what I do" from outward subscale to compensation subscale (two opinions) and to split the item "I seldom think about salary and promotion" in two items (one opinion). I also received some suggestions about how to make the items to be easier to read (friendlier with the respondent).

After this analysis I will not remove any item because neither has an average very close to 3 (not at all representative), but after the pilot study, if the same items occurs "problems" I will have to make a decision on them.

5. Conclusion

In conclusion, there are many ways to measure teachers' motivation and productivity. Choosing between them is a difficult decision. Even after the choice is made, there are many tests to run to ensure the validity of the used instrument. This study presents a summary description of the domain analyzed, a methodological proposal, the instrument used and the content validity test results.

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Social Security in Times of Crisis

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Abstract

The combination of slow economic growth and the effects of accelerating population ageing had a big impact on the social and economic environment. But despite this, in the recent period could be observed that the social security systems best able to manage the crisis' social and economic impacts were of those countries which had comprehensive social security programmes already in place (Bonnet, Ehmke and Hagemeyer, 2010). These programmes not only provided policy-makers with immediate responses to help sustain aggregate demand, but also provided a greater choice of instruments with which to reach out, sometimes selectively, to different population groups at risk.

Key words: social security, private pension, pension funds, financial crisis

J.E.L classification: E 23, J 32

1. Introduction

In mid-2007 the global financial and economic crisis, which weakened the region's economies had commenced. Even if the crisis seems to have come to an end now that stock market values have recovered, the economic growth in Europe and North America is still limited and some countries are even having a negative growth. Because the major economies still have weak points, numerous commentators argue that further financial and economic crisis shocks should be expected. Therefore, one should be careful when making statements like: the remainders of the crisis are already well overcome. It is obvious that recovering of the financial-turned-economic crisis countries is influencing the real economy. This can be seen in the increasing labour market difficulties, growing unemployment.

Almost all the countries developed complex social security programs. In practice, the economic and politic relations are formed by imperative short term goals depending on what it can be done and not on the long term vision. Unexpected events, like natural disasters and economic crisis, have a immediately impact on the national politics and they lead to changes and to a re-hierarchy of the politic priorities. In these situations, despite the fact that the long term goals remain unchanged (e.g. the extension of the access to social security systems), the change of the short term goals is necessary for adapting to the new economic context. Obviously, the global macroeconomic context evolved significantly, starting with 2007, with a major financial crisis. The crisis, followed by the economic recession, affected the global economy. For many countries, their social security systems, especially in 2008, experimented decreasing values of the national social security pension funds. The increase of the level of unemployment and the poverty lead to higher expenses for social insurances regarding benefits of insurance and fiscal assistance and to a proportional loose of the incomes. In addition, the decrease of the aggregated demand reduced the government's incomes (from taxes). Even if countries were affected in different ways, most of the countries experienced this.

The crisis had a big impact on the nature of the policy reform and change of the social security. For example, recently we could notice the statutory pension age reform (e.g. Brunei Darussalam, Greece), the increase in the poverty measurements (e.g. Brazil, South Africa) and initiatives to decrease unemployment (e.g. Australia, Germany). Many organizations stated that several measures for stabilizing and restoring social security programme finances were taken. In the current context, when the population is aging, even if the economical growth started

being positive, the number of countries adopting such reforms is likely to increase.

It needs to be mentioned that the crisis stimulus packages which were introduced in different countries determined the extension of social security provision (e.g. Brazil, The People's Republic of China).

In order to make social protection more accessible, in many national social security and health care systems, the long term reforms should focus on extended coverage. This is the case in low and middle income countries, where the reforms try to provide to a maximum number of elders a minimum pension. These developments should reduce poverty and state that even lower income countries should afford to provide a minimum package of tax-financed social protection benefits to their population.

2. Improving the design of the social security system

The finances of many social security systems were tested by the current crisis. Analysis of the crisis' impact shows that the social security system design can be improved in six points. The crisis has uncovered some of the strong and weak points of different pension systems, it revealed the need for a suitable risk sharing between individuals and the state and between the fully pre-funded and pay-as-you-go schemas. The crisis raised questions about what an appropriate asset allocation is, when investing social security funds. It is important to have an ex ante design of social protection programmes which are able to react in a flexible and quick way to crisis scenarios. The crisis reminded of the need for an adequate and efficient regulation, investment and supervision policies and it highlighted that in many countries the unemployment insurance benefits may be inadequate or even absent.

3. The role of social security in national recovery plans

Despite the fact that the financial crisis affected the financial position of many social security programmes, it underlined the role of the social security systems in the slowdown of the economic growth. While trying to diminish the impact of the

unemployment increase, of the income decrease, poverty increase, the countries recognized the importance of the social protection programmes. Through local offices, the households should be reached. Also, the financial resources should be quickly channeled towards different population groups, to the most vulnerable or to the unemployed.

In addition to the efforts to stimulate the aggregate and employment demand, decisions makers admit that the social security systems quickly deliver income to the persons and families in need. Not like public infrastructure investments which need time for planning and implementation, the social protection benefit payments are operatively executed.

In the design of social policy replies, many countries considered that these are meant to be a temporary help during crisis situations. They could have undesired durable effects. They could encourage workers to remain unemployed or to retire before time. They could encourage companies to fire employees which could become eligible for pension or invalidity benefits. They could decrease the resources of the social protection systems which are anyway threaten by the demographic aging. Some proactive countries, like Australia and Portugal, tried to structure their measures in order to avoid the creation of a group of people which will be permanent unemployed or of inactive people.

We can draw some conclusions which empathizes the role of the social security systems during crisis:

- The social security systems showed that they are an important component of the crisis strategy, offering social policy measures which could contribute to the revitalization of the economy by stimulating the aggregate demand and by assuring an adequate protection to the vulnerable people;
- The social security policy replies should be associated with active economical policy measures regarding workforce market and they should not create long term dependencies for social security performances;
- The financial losses weakened the financial capacity of the public social protection and of the private pension

systems which need to face the challenges to follow. This matter exposed to the governments the potential new financial risks, to assure a minimal income. In the same time, it is necessary to review the regulations of private pension administration and especially the acceptable investment strategies;

- The public social insurance programme and the people exposed to financial risks (poverty). The state responsibility to deliver an adequate social protection should not be transferred in the private sector;
- Social security organization must operate towards risk management.

4. The impact of the crisis on pension schemes and its social consequences

Many countries have increased the role of national pre-funding pensions systems, since the 1990s. In 2008, different funds put at risk the future retirement income prospects of many individuals by harshly contracting portfolio values.

Recent performances of social security funds statistics show that some social security funds have started already the recovery. But it will not be an easy and fast process to recover after the major losses from 2008.

The pension incomes have been relatively little affected by the crisis because nowadays the majority of the countries has state financed pensions in a pay-as-you-go (PAYG) system. States have chosen to accept increased deficits to let pension systems play the role of automatic stabilizers.

The crisis effect on the retirement will be different according to how much the pension systems will differ from the actual ones. In the majority of the countries, the budgetary restrictions lead to the decrease of public pensions. In some countries the crisis impact resulted in lower indexes.

Based on the theoretical replacement rates it is possible an analysis of the professional career interruptions impact on the pension benefits. The younger generations could be affected by the actual pension reforms. The activity interruptions (unemployment) could affect, on long term, in a negative way the pension benefits, considering that the benefits

of the PAYG scheme are calculated according to the active period, the total income. The protection of the benefits of future retired people during unemployment periods is in development stage in most of the pension systems from Europe.

Moreover, as a consequence of the crisis, some countries decided to increase the pension contributions, others introduced the increase in the retirement age (e.g. Hungary), and others considered it (e.g. Switzerland, Spain, Latvia, Ireland, Slovenia and Romania).

4.1 Funded defined-benefit and hybrid pension schemes

The resulted benefits from an occupational defined-benefit scheme are connected to the income and the career of the employed population. This is the scheme which handles the investment risks and usually also the longevity risks. They make a promise to the affiliated scheme member.

The financial crisis caused the decrease of the assets compared with the predictions and the hypothesis regarding the investment return has not been accomplished. The EU and national regulation frame have the role of guaranteeing that the pension funds are taking fast measures to protect the contributions to the pension funds on the long term. The national authorities of private pension funds supervision took quick measures to correct the crisis effect. For example, they have aimed to allow pension funds more flexibility than normal, e.g. funds were given more time to submit funding status reports and recovery plans, and the normal maximum period allowed for recovery from deficits has been extended.

Some fall back arrangements could be introduced to assist the pension fund in case of deficit, but this may be lower than the pension would be in normal circumstances. These fall back arrangements could be sponsored by the employer which could decide to increase the contributions without increasing the pension rights or to change the level of investment risk. Other measures which could be taken are to increase the pensionable age.

In defined benefit and hybrid schemes case, questions about inter-generation fairness and redistribution are posed. For

example, if scheme rules are conditionally applied on investment performance, the retired population is likely to be more affected by it than the ones still in the working field. On the other hand, the active population will be more affected if assets are changed in future benefit accruals or rebalanced with increased employee contribution.

4.2 Funded defined contribution pension schemes

The investment risk is assumed by the scheme member in the case of the defined contribution (DC) plan. Moreover, the investment performance is directly affected by this risk as well. In the course of 2008, private pension funds lost more than 20% of their value. Many of these pension funds have been able to recover some of their losses until now. If the pension fund has a poor performance, the member is at risk, but, on the other hand, it also benefits from any positive performance. In 2009 and early 2010, in many Member States DC funds regained much of the value lost in 2008.

Therefore the ones far way from retirement recovered their positions because there might be enough time for asset values to recover. On the contrast, for those close to retirement the impact can lead to lower pension income than expected, or delayed retirement. Possible solutions to the impact of the crisis are investment strategies such as "lifestyle", meaning higher risk investments for younger members or cautious investments for individuals closer to retirement. Many of the currently retiring members will have also other sources of income beside the DC pension income.

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Connections between Globalization and Transnational Companies

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Abstract

Currently, many enterprises have massively expanded marketing operations, supply and production in the global market, managing to create global structure which allows them to quickly convey information and ideas in a corner of the world in the other. Businesses face a competitive environment than larger and more complex than in the past. Since most trade with investment activity are related, if not undertaken by transnational companies, no country can develop as part of the world economy without help from a substantial presence within the borders of the STN them.

The new trend in the STN sites emphasize efforts to promote corporate social responsibility that contributes to change the attitude of many corporations and individuals working for them. Company efforts are visible in contributions to community development and environmental impact. Corporations want to impose their own standards of development which reflects some positive attitude towards regulations that support behavioral codes which they argue.

Key words: transnational companies, globalization, crisis, development

J.E.L.classification: F 01

1. Introduction

Globalization has opened the way for limited progress, offered alternatives to local development, has generated deep changes, a dimensional complex with sometimes unpredictable consequences on economic development and socio-institutional.

We all know and live a more difficult period of economic history, that of a global crisis. If until now almost all economists analyzing the phenomenon of rising global economic boom in globalization today, the same economists studying the phenomenon of global economic crisis, încearcând roots to find them, analyze them and to carve another route the great globalization. Liviu Voinea after witnessing the greatest economic crisis after 1929 and the systemic failure of capitalism, the profession of academic economics and the economy as understood and taught her all over the world. (Voinea, 2009)[1]. Few were those who foresaw the crisis, but to no avail, because there was no time to be listening, indeed have been sidelined until reality gave them justice. In this context, transnational corporations are the most important force determining and promoting global interdependence.

2. The content

In the 80s, transnational companies had one-third of industrial output, more than half of foreign trade. The value of goods and services provided by American transnational provenance during this period, amounted to 350 billion dollars. Expressed as a percentage, representing U.S. firms in 1999, was about 71.8% of the top 50 transnational companies in the world. Through direct investment abroad, major U.S. companies boost profits, but mostly gets the opportunity to control sources of raw materials from poor countries and developing ones. U.S. companies are present on the developed markets, which have reached a high level in terms of consumption, and it provides a well-defined profit. All the same border are less

present in terms of geographical regions producing dissolution resources, raw materials, because they are not as market interest. An advantage for the rest of the world, from American transnational, the transfer is outside the U.S. model of planning and business management, and equally high efficiency new technologies and productivity. Globalization of the economy lead to the develop American transnational companies. They are, now, a powerful force in the global economy and a true American economy binder, and they can be found across national borders.

They manifest simultaneously in all economic areas known that micro - macro - mondo, eliminating, in fact, the boundaries between them. In terms of global competition, European and American companies have to face, even in their home countries, Asian companies (eg Sony, Toyota, Samsung), which applies a policy of aggressive marketing and highly competitive (as the concept of full competition). A special role in the global economy plays American transnational companies: Coca Cola, Colgate, Microsoft, Ford, IBM, General Electric, Intel, Exxon, Wal-Mart, McDonald 's, they are actually the U.S. image worldwide. In the top ten transnational corporations in the world, the first five are, of course, from the U.S.. Their work focuses on branches with real growth prospects and raise profits. Moreover, transnational companies are at the forefront of American offensive in the context of economic globalization.

The crisis has actually gone from securitization, sub-standard loans, but its scope of coverage was much higher. In other words, the crisis from the U.S. went out there with roots very well determined by excessive investment in innovative financial derivatives, with a chase to report more and more profit while the phenomenon of corruption and deregulation already appears. The next step of the crisis was made in Europe, where penetration and expansion mechanism was different in the West against East. Western Europe was transmitted mainly through toxic assets of financial institutions in East, and then was transmitted by reducing the current account financing. Romania, in this view can be joined Eastern economies as Hungary, Bulgaria and the Baltic countries.

Currently, many businesses and massively expanded marketing, supply and production in the global market, managing to create global structures which allow them to quickly transmit information and ideas from other corners of the world. Businesses face a competitive environment than larger and more complex than in the past. Some believe that the world is run by giant companies, megacorporations those who are not only interested to sell as many goods on international markets but also to purchase, to produce various components and materials from/or abroad. Therefore, transnational firms have to coordinate the functional operations across state borders by a rapid transfer of knowledge, helping them to increase efficiency. (Gurgu, 2011)[2] To meet the challenges of business globalization, many companies form strategic alliances and other business provide still competition. Mergers, acquisitions and strategic alliances are logical and inevitable consequence of competition in a global economy without barriers, and becoming more integrated. We are witnessing a globalized economy combined with information technology, which enables TNCs sites to strengthen the control on a scale that has not been possible until now.

Corporations today are open to everything new, able to respond rapidly to new information and changes in international markets, as these corporations adopt strategies based on the implementation of learning behavior. Equally important for TNCs sites is the ability to keep pace with the markets, they can adapt and respond to competition, may produce goods in conditions of efficiency, but also understand the phenomenon and to protect local companies, which is important to strengthen local communities both economically and as socially. Many transnational corporations have not done all it would be best to improve working conditions in developing countries. These companies have gradually come to understand things, which at their home, understood them much more difficult. Providing better working conditions may actually contribute to increased labor productivity and lower overall costs - or at least limiting their growth. (Stiglitz, 2005)[3] Some believe that the world is governed by these giant companies, megacorporations

those who are not only interested to sell as many goods on international markets, but to buy, to produce various components and materials / or abroad. All statements come from the camp of criticisms regarding unpleasant in transnational companies, which have as main objective the production of money and only have primary responsibility for their shareholders.(Helsam, 2004)[4] Therefore, transnational companies must coordinate operations across functional boundaries of states, by a rapid transfer of knowledge, managing to increase its efficiency. One example is Ford Motors, the second largest producer of automobiles, which seeks to become a truly global company in the field.

Globalization of economy require thought and work, which means the ability understand the world as a single market, the conditions and laws are very different. Manager with a true global mindset is one that has the capacity to adapt to national and regional particularities and which does not distinguish between inland and abroad.

Currently, globalization is contested by everyone. There are complaints about it, but not missing any praise. Globalization can be a force for spreading the good: the globalization of ideas about democracy and civil society has changed people's way of thinking, while political movements leading products worldwide to ease the debt burden. Globalization has led to hundreds of millions of people to achieve higher living standards, also, economic globalization has brought benefits to countries that have profited from it by identifying new export markets and attracting foreign investment. Stiglitz said that countries had benefited most, were those who took their own fate and have realized the role of the state can play in the development, abandoning the idea is also based on a market capable to solve their own problems. Globalization has had beneficial effects on democracy, national elites trying to replace dictatorship with the dictatorship of international finance. Some countries were obliged to markets and international financial institutions to give up their sovereignty, which allowed the capital markets, including speculators whose concerns were short-term economic growth, and long term growth of a country with living standards, to "bring order", telling them what to do and what not

to do. For millions of people say that globalization has not brought anything, or even a negative impact because of their moral situation worsened, their jobs were abolished, people become powerless before the force of globalization that could not control, while attending to undermine democracy and the erosion of their own cultures. Growth - including that induced by globalization - will lead to urbanization, undermining traditional rural societies. Retailers that operate internationally and have a great shopping devastate small businesses and communities in which business is carried on those.

Developing countries that have been most successful, most of East Asia, opened to the world, but they did it slowly and following certain steps. Countries have benefited from globalization to boost exports, and therefore to develop a faster pace. They are abandoning the protectionist measures carefully and consistently, when they have created new jobs. These countries have ensured that there is enough capital to create new businesses and jobs or even have themselves contributed to this effort. China has eliminated trade barriers not a very long time but at a distance from when already begun to travel the road to market economy, during which has grown extremely fast. However, globalization is just one of many forces that affect our societies and economies. Technological changes have increased the importance of skills in certain markets, so that, those who benefit it today, are those who have or can obtain those skills. Changes in technology may ultimately prove a more important factor than globalization, even in declining wages of unskilled sector. (Stiglitz, 2008)[5]

3. Conclusions

In conclusion, I think of three possible scenarios on the future of corporations. A first scenario would be one in which a not too distant future corporations would come to rule the world, dividing it between them. Thus we live in a world that large corporations would go where it holds a monopoly position. In this context they should have the ability to control and manipulate the global market, the global production, the trend of consumption and the

price too. A second scenario would be to limit the power of multinational corporations in the future. This could be achieved through legislative measures. For instance, local or regional trends and anticompetitive practices to limit or restrict the emergence and development of monopoly. A third possible scenario would counterbalance corporate power through incentives and support SME development. Moreover, in some particular situations, they may even proceed to grind or large corporate reorganization in smaller companies, possibly narrower specialized competence in areas that can perform.

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A New Model for the Global Economy - Economy of Communion

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Abstract

The "Economy of Communion" is an experience of social economy fostered by the Focolare Movement, an ecumenical and inter-religious organisation that originated within the Catholic Church in the 1940's and is present in about 180 countries. The Economy of Communion is a global project involving over 750 businesses in a network of solidarity.

Businesses operating according to this paradigm seek to respond concretely to social inequality, through partnership with the marginalized, whilst remaining commercially viable in the market economy. They thereby seek to present a realistic social model to the commercial world.

This paper identifies systemic factors which underlie the rapid development and spread of this third way between capitalism and socialism. The study is part of a wider review of the systemic underpinnings of such social movements, seeking to understand why some succeed and impact the structures of society whilst others flower briefly then stagnate or die.

Key words: Business ethics; new economy; economy of communion; Focolare; business dynamics

J.E.L. classification: F00,F01,F02,F15,Z12

1. Introduction

The 19th and early 20th century were a melting pot of ideas and experimentation in the search for more just and equitable economic structures. Many of these, such as the Fabian Society and the Distributivists, stayed in the realm of ideas, contributing to the development of political society, some more and some less successfully. Some, such as the Co-operative Movement, the Quaker businesses and the Friendly Societies

established businesses based around their ideal. Many have been successful at national or international scales. But in their success they have generally merged with the prevailing business ethos to the extent that their outward face to the world is indistinguishable from that of their competitors. Others, if they still exist, remain at a local scale and do not present a credible witness of a third way between the ideal of Socialism and the success of Capitalism.

2. A third way

For more than a century, the term a third way has been used by individuals, movements, and parties on the right and the left of the ideological spectrum. In the late 19th century, Pope Leo XIII called for a third way between socialism and capitalism that would put a more human face on the free market. In the 1930's, the classical liberal economist, Wilhelm Roepke, saw the third way as the free society that lay between socialism and historical liberalism. Half a century later, Meidner (1980) suggested that Sweden's welfare state constituted this third way between American capitalism and Soviet communism.

In the early 1990's, the a third way became a popular mantra for politicians, especially those on the left, who saw that their ideologies held reduced appeal in the world that followed the collapse of the Soviet Union.

Thus, British Prime Minister Tony Blair has frequently referred to his search for a Third Way, even writing a booklet on the subject (Blair, 1998). Former US President Clinton went so far as to declare in his 1998 State of the Union address: "My fellow Americans, we have found a Third Way". Schroeder in Germany, Prodi in Italy and Government leaders from the Russian Federation to Brazil have proclaimed as their

own this new vision of the last decade of the 20th century.

Business leaders also captured this mood for change. Religious leaders, also, had not forgotten their century old search for a Third Way. In 1994, the 6th World Assembly of the World Conference on Religion and Peace included in its final report a call to the religions of the world to work together to find a new approach to economy, between the Marxist and capitalistic economies, "an economy of communion based on mutual love and respect for the dignity of the human person...". In the midst of this mess of history, platitudes and polemics, the praxis of the Focolare Movement provides a striking contrast with its 'Economy of Communion'.

This is not an economic theory in search of supporters, but rather practitioners living an ideal and creating an economic theory. It is part of a global praxis a living 'Third Way'.

3. Economy of Communion

The genesis of the Economy of Communion 'In Freedom' lies with the foundress of the ecumenical and inter-religious based organisation, the Focolare Movement.

The Focolare is an entity within the Catholic Church, formally approved in 1962 by Pope John XXIII. Its 'internal' membership comprises some 150,000 - 200,00 people who have extensive formation in and made a deep commitment to its spirituality. These include some 50,000 who belong to other Christian denominations and to other Faiths. A further 4 to 5 million live its spirituality with varying degrees of commitment. It is present in over 180 countries. The Focolare would appear to be unique within any Christian Church in that its statutes provide for adherents not only from within the Catholic Church, but also from other Christian Churches, from other Religions and even from 'people of good will with no religious belief'. It has, for example, a committed following within the Muslim American Society and Japanese Buddhist Rissho-Kosai-Kai.

The spirituality of the Focolare fosters a profound belief in the unity of the human family, regardless of differences of race, nationality or religious belief. It emphasises

the ethic that its adherents should live a 'communion of goods', as a free and personal choice, in the manner ascribed to first century Christians (Acts 2:44-45), so that none in their community are in need.

The Focolare accepts the right to private property. At the same time it recognises that, just as it would be outrageous for the parents of a family to eat fully whilst their children starve, it is equally outrageous in our social family that there should be some with plenty whilst others starve. Accordingly, since its origins in war ravaged Italy in 1943, the Focolare has sought to inculcate a 'culture of giving' amongst all its members from the children to the eldest. The committed core, about 5,000 people, live this totally - a kind of 'Christian communism' - putting all wealth in common, keeping only what is essential for healthy living and giving the rest for communal distribution. Other internal members, with greater or lesser radicalism live this 'communion of goods' by giving of their surplus to those in need. (Pochet, 1985; Gallagher, 1997).

4. Genesis of the Economy of Communion

When the foundress and president of the Focolare, Chiara Lubich, visited Brazil in 1991, she faced the reality that the 200,000 Focolare members there included so many poor that the traditional communion of goods, notwithstanding the heroic idealism of members, was insufficient. Some remained homeless, others were unable to send their children to school, or buy them clothes. The sick could not afford medical treatment.

"This led to the idea of increasing the amount of money put into communion by setting up business enterprises that would be entrusted to competent people capable of making them work efficiently and profitably."

As a practical response to the evident poverty, Lubich launched a worldwide initiative focussing on building an Economy of Communion - a program aimed at establishing employment projects, based on the spirituality of the Focolare in particular, and on Catholic social justice principles in general. In enterprises operating under this framework, the profits (after just

remuneration) would be distributed three ways:

"A part of these profits would serve to bring ahead the business; a part to help those in need, thus making it possible for them to live with a little more dignity until they could find a job, or offering them a job in these very businesses. Finally, a part of the profits would be used to develop structures for the formation of men and women who desire to base their lives on the "culture of giving," "new men and women", because without new people, it is not possible to build a new society."

This may sound utopian. However, within ten years the results are expressed in bricks and mortar in the Araceli, Brazil, where Lubich first issued her challenge. A 50-hectare industrial estate has been developed with the infrastructure required by modern manufacturing or service industries. It is managed by a joint stock company, ESPRI, which has more than 3,000 shareholders), many of whom are numbered among the poor.

By 1999, the industrial estate housed eight businesses run according to the philosophy of the economy of communion, with a number of other ventures in the planning phase.

5. Guiding Principles of the Economy of Communion

The economy of communion is based on entrepreneurs freely acting according to the

Focolare Movement's communitarian principles. Entrepreneurs who want to participate remain owners of their firms and keep the right to opt out of this 'new economy'. They freely put in common a share of their profit that, in conformity with the Focolare Movement's spirit, is then used for the following three objectives.

One part of the profit is used for capital reinvestment. This serves to help this social ideal penetrate the firm's activities and internal functioning. In addition, it aids job creation, which the Economy of Communion sees as a fundamental solution to social inequality.

The second part of the profit sharing is distributed to people who do not have the means to meet their minimum needs (food, clothing, housing etc.) and who have no

possibility to raise the necessary funds. Everything that such a person receives is an

untied gift and corresponds to his or her true needs that are freely put in common by this

person. The aid aims to re-establish the material autonomy of the person in need. This focus is not one of charity, but of mutuality based on the ethic that one does not have a right to wealth whilst others starve.

This communication between the poor, who receive the one-third of the Economy of Communion business, and the businesses themselves, must grow. The poor must not become something abstract ... the poor are an integral part of every Economy of Communion business because they are the main beneficiaries. (We must seek to) create amongst these people and ourselves an attitude of reciprocity, of true partnership. The third part of the profit focuses on the long-term improvement of society, on the elimination of the institutional roots of social injustice. The funds are mainly used for the development of training centres and educational programs that introduce a wider audience to this social ideal and give them the personal and technical skills to transform their own lives in this way. They also assist in maintaining support relationships for Economy of Communion businesses around the world.

The Economy of Communion, however, is not simply about the use of profits. It demands a radical transformation in all business relationships, between the owners of capital and employees, between managers and staff and between staff and clients.

Each enterprise operating within the Economy of Communion does so freely, independent of any control by the Focolare Movement. However, the spirituality of the

Focolare underpins its fundamental ideology. The Focolare structures promote the ideal, provide the spiritual and ethical formation that underpins it, and provide encouragement and moral support for the entrepreneurs and foster solidarity among the businesses.

A feature of the Focolare Movement itself is the decentralisation of responsibility and initiative within its powerful unifying spirituality. It is organised into some 70 'zones' covering over 180 nations. In a matrix type framework, there are also 20+

branches, organised at international and zonal levels, which focus on different social or religious spheres.

The New Humanity Movement is a branch whose charter is to foster the Focolare ethic especially within the various economic sectors (education, health, the arts, etc). It is

organised on an international level, with a full-time secretariat, and with local secretariats in every zone. It runs conferences and education programs and provides 'moral support' for entrepreneurs (or aspiring entrepreneurs) who are involved in the Economy of Communion. It has also established a number of specialist bureaux, including the International Bureau on Economy and Work. The latter is an accredited United Nations NGO that acts as a coordinating think-tank for the Economy of Communion. It includes experts from the areas of economics and management, including university academics, senior government bureaucrats and senior private sector executive.

6. Developing a theoretical framework

The Economy of Communion is built from the lived experience of the Focolare. However, a vibrant intellectual ferment has accompanied the growth in businesses, with some 65 graduate, Masters and PhD theses (including at least two from the UK) written since 1993 on diverse dimensions of the Economy of Communion, covering its anthropology, sociology, economics, philosophy, psychology and theology. Many of these theses and dissertations are published on the Internet (<http://tesi.ecodicom/.com>).

There are also annual international conferences, under the auspices of the International Bureau on Economy and Work. The most recent conference, held in June 2001 in Genoa in anticipation of the G-8 Summit, presented the Economy of Communion to 1,000 delegates.

7. Systemic Factors Associated with Development and Spread of the Economy of Communion

Drawing on the factors suggested by Dawkins, Heylighen and Pluta, the following

are seen to be the key systemic factors that underlie the successful and rapid spread of the idea of the Economy of Communion. These factors are divided between the Focolare base, which gave birth to and sustains the Economy of Communion, and the Economy of Communion businesses themselves. Space does not permit a comparative analysis of these factors with the models proposed in the works cited above.

The Focolare Movement Base

The Focolare Movement provides a critical philosophical and organizational support framework for the Economy of Communion businesses.

Philosophical / Ideological

- A profound belief in the unity of the human family, regardless of differences of race, nationality or religious belief; and
- Preparedness to 'give ones life for one's fellow human being', expressed in a 'culture of giving'.

Praxis

- 55 years of living, at a local scale, a personal 'communion of goods';
- 55 years of activity in local, regional and international, social justice projects; and
- 55 years experience in experiential based formation and training.

Moral Authority

- A charismatic leader, Chiara Lubich, the foundress and president of the Focolare, who initiated and continues to give priority to the Economy of Communion;
- Endorsement within the Catholic Church by Pope John-Paul II and by local Bishops, by leaders within other Christian Churches and other Religions;
- Endorsement by academia in diverse cultures through the award of Honorary Doctorates to Ms Lubich specifically for her work for the Economy of Communion; and
- Endorsement in the political sphere by parties of the left and the right in the European Community and in Latin America.

Organisation Structure

- A strongly connected (by personal relationships and communication), but highly decentralised cellular structure, present in virtually every nation;
- A strongly coupled matrix of coordinating bodies based around the Branches and the Zones, animated by a shared spirituality, personal relationships and communication;
- The New Humanity Movement, with a full-time international secretariat, and zonal secretariats, promoting the Economy of Communion; and
- The International Bureau on Economy and Labour acting as a specialist 'think tank'.

Infrastructure

- Education / formation framework, at international and national levels with a pedagogy strongly based on experiential / praxis approach;
- Global and national communications networks (for example, every month there is a global telephone conference call, linking all Zones, which includes an inspirational meditation followed by, typically, 40 minutes of news of Focolare – including Economy of Communion – activities around the world);
- Publishing houses providing videos, books, journals and newsletters in many languages;
- Comprehensive and professional Websites in diverse languages; and
- Centres of formation and training in many nations.

Membership Coverage

- A committed core membership of 150,000 – 200,000;
- Reasonably regular contact, face-to-face or by the various communications media, with 4 to 5 million adherents or sympathizers;
- Through close links with the Muslim American Society and the Japanese Rissho-Kosai-Kai (Buddhist) Movement, exposure of the Economy of Communion ideal to a much wider audience estimated in excess of 8 million; and

- A strong penetration of the Focolare ethic among young adults, coupled with the idealism of the Economy of Communion, has tapped an enthusiastic youth response evident in the profusion of academic research.

The Economy of Communion Companies

The entrepreneurs, employees and beneficiaries of the distribution of profits are linked, not only through their involvement in the Focolare itself, but also through their own experiences in giving life to this new social ethic. These experiences are widely shared through ad hoc conferences, seminars, journals, newsletters and so forth. Significant systemic factors supporting this, additional to the foregoing, include:

- Diversity of totally independent businesses, allowing for experimentation in modes of management, organisation and activity;
- Forums and diverse communications channels for sharing ideas between stakeholders in the diverse businesses; Idealism, supported by explicit appropriation of capital to organisation development, promoting the development of a shared vision of the business amongst entrepreneurs, management and staff;
- Idealism, supported by explicit appropriation of capital for expansion and job creation, promoting entrepreneurial risk-taking to broaden horizons;
- Ethic which promotes quality staff management and quality client service; and
- Impetus to develop relationships and to cooperate with other businesses, including competitors;

8. Summary and Conclusions

The rapid spread of the praxis of the Economy of Communion prompted this study. Why do some ideas, such as this, "take off" whilst other, arguably equally valid and important, languish. Were there particular systemic factors that created the framework for success.

The praxis of the businesses in turn gives witness to the values of the Focolare and challenges its adherents to emulate this altruistic love in their environments.

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Relationships with Institutional Customers as Development Factor of Underwear Industry in Podlaskie Voivodeship

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Abstract

The effectiveness of the activities necessary to stabilize and strengthen the position of companies in the market is determined to a large extent by the ability to build lasting relationships with customers. Currently, the customer is not only a part of the company's environment, but first of all its resource. The knowledge about customers and their needs allows the company to convert new customers into regular ones. This is reflected in the creation of long-term loyalty-based relationships with target markets. These activities are vital for the development of the underwear industry, which is susceptible to frequent changes in fashion trends, preferences and tastes of buyers.

This article aims to present the scope and importance of relations between underwear producers and institutional customers. The aspect of the exchange of information between producers and traders is particularly exposed.

Key words: underwear industry, institutional customers, customer capital

J.E.L. classification: M3

1. Introduction

The functioning of modern enterprises in the variable and unpredictable conditions requires undertaking a series of actions necessary to stabilize and strengthen their market position. The effectiveness of these activities is determined to a large extent by the ability to build lasting relationships with

customers. Currently, the customer is not only a part of the company's environment, but first of all its resource. The knowledge about customers and their needs allows the company to convert new customers into regular ones. This is reflected in the creation of long-term loyalty-based relationships with target markets.

This article aims to present the scope and importance of relations between underwear producers and institutional customers. The aspect of the exchange of information between producers and traders is particularly exposed.

Undertaking the analysis of the subject, the fact should be stressed that the underwear industry is a specific industry. The situation in the analyzed sector is complicated because of frequent changes in fashion trends, preferences and tastes of buyers. Also very high sensitivity to changing conditions in the external environment is evident, not only in relation to the economic sphere, but also to cultural, demographic, competitive and technological spheres.

Conclusions in this paper were supported by the results of research included in the report "Study of brand recognition of the Podlaski Underwear Cluster", which was realized with the participation of the authors of this paper.

2. Situation of the underwear industry in Podlaskie Voivodeship in comparison with the industry in the country

An important segment of the clothing industry is the underwear industry. The value of Polish underwear market is estimated at

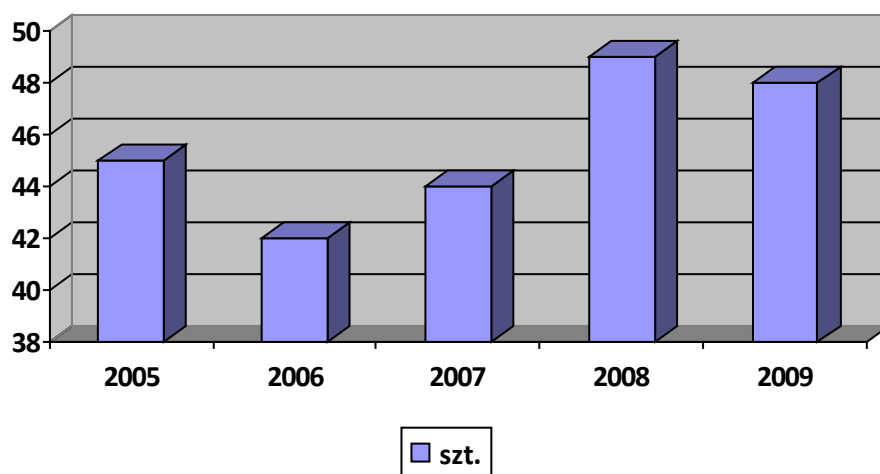
about 5 billion PLN, which represents more than 21 percent of the total clothing market value (the clothing market value at the end of 2007 - 23 billion PLN). The industry still remains in a developing phase, taking into consideration the fact that Polish society has not reached the level of affluence of Western societies yet. The estimated increase of earning potential and the expected changes in shopping habits of Polish society as its consequence are the determinant of opportunities for further growth and development of quality clothing market (including underwear market). The market is conditioned by such factors as: changes in the level of material and cultural life of the society, technological progress, seasonal character, and susceptibility to fashion trends.

The development of the clothing industry (including underwear one) in Poland and other EU countries was significantly affected by the changes that have taken place in recent

decades in the international structure of production and trade of products in this industry. Reallocation of the world's major centers of clothing production to developing countries (including China, India, Bangladesh) with substantially lower production costs has affected the reducing of the production potential of enterprises in Poland [1].

The underwear industry, similarly as clothing industry, is fragmented and is characterized by high competitiveness. Only a few companies of this industry have appropriate organizational and production capacity and necessary capital to build a complete product offering, strong brand and extensive sales network. To tell the truth, concentration processes occurring in this market are noticeable, but they are very slow. In the region of Podlasie Voivodeship more than 40 entities operates in underwear market. Their dynamics is illustrated by Figure 1.

Figure 1. Number of entities operating in the underwear industry in Podlaskie Voivodeship in years 2005-2009



Source: own calculations based on the Voivodeship Statistical Office in Białystok

In the years 2005 - 2009 the pace of changes in the number of entities varied. The highest level was recorded in 2008 and the lowest in 2006. Between these periods the underwear enterprises grew by almost 17%.

The underwear industry in Podlaskie Voivodeship at the end of 2008 constituted less than one percent of domestic production. (Table 1)

Table 1. Underwear output in Podlaskie Voivodeship in comparison with the country in years 2005 – 2008

Description	Quantity (in thousands pcs.)			
	2005	2006	2007	2008
Underwear output:				
- Podlaskie Voivodeship	204	338	271	160
- Poland	21831	21245	18631	17894
Share of underwear output made by producers of Podlaskie Voivodeship in comparison with domestic production of underwear	0.9%	1.6%	1.5%	0.9%

Source: own calculations based on the Voivodeship Statistical Office in Białystok

This low level was characteristic also for the year 2005. Whereas more than 1.5% of production was realized in years 2006-2007.

The situation within production sold is much better. The high quality of offered products causes that they manage well in this competitive market. (Table 2)

Table 2. Production sold of underwear in Podlaskie Voivodeship in comparison with the country in years 2005 – 2008

Description	Quantity (in thousands pcs.)			
	2005	2006	2007	2008
Underwear output:				
- Podlaskie Voivodeship	185	323	265	154
- Poland	15503	13934	12721	16239
Share of production sold of underwear made by producers of Podlaskie Voivodeship in comparison with domestic production sold of underwear	1.2%	2.3%	2.1%	0.9%

Source: own calculations based on the Voivodeship Statistical Office in Białystok

In the analyzed period the share of production sold in output of companies of Podlaskie Voivodeship constituted more than 95%, whereas at national level, the indicator stands at just 73%. As a result, in 2006-2007

the share of production sold of underwear of producers of Podlaskie Voivodeship in comparison with domestic sales exceeded 2%.

Table 3. Production sold of underwear in Podlaskie Voivodeship in comparison with the country in years 2005 – 2008

Description	Value (in millions PLN)			
	2005	2006	2007	2008
Underwear output:				
- Podlaskie Voivodeship	2129	4204	3612	2238
- Poland	363466	382599	394816	353850
Share of production sold of underwear made by producers of Podlaskie Voivodeship in comparison with domestic production sold of underwear	0.6%	1.1%	0.9%	0.6%

Source: own calculations based on the Voivodeship Statistical Office in Białystok

This higher growth in sales was also caused by lower prices of products offered by producers of underwear in Podlasie Voivodeship. As a result, at the end of 2008 underwear producers from Podlasie made 0.6% of the entire national underwear market in terms of value.

3. Relationships with customers as a resource of enterprises

Companies run their business in conditions of a faster and faster increase of the number of products and competitors. This means that there is not a shortage of products in the market but the customers. [2] Therefore a long-term success of the company will be the result of building lasting relationship with the customer based on loyalty. In relation marketing the product is not an article itself, understood in the category of a marketing instrument, but relationships a company makes with the customer. The product cannot be defined in isolation from the relationship, because it blurs the difference between the product and service.

Relationships with customers are related to all processes and activities that occur after the sale of the product and during its use. Unlike traditional marketing, the core of activity of a company is not limited to sales of products for which there is market demand, but use of a company's skills to build a relation with customers, leading consequently to building competitive advantage.

In the literature on the subject, customer capital is often referred to as relation capital. It is identical as in the case of a broad understanding of the category of customer capital, which are components in this approach [3]: the activities within the organization network and strategic alliances, access to complementary resources in the process of innovation, image and reputation of the organization, position of the company in the market, owned brands and their value, the ability to knowledge sharing, financial links and cooperation with other companies, customer value and loyalty, customer satisfaction, marketing research. In a narrower view it refers to creating relationships with the customer – customer and user of the company's offerings and

includes [4]: customer base, relationships with customers, potential of the customers.

Customer capital accumulates in the company's ability to influence markets for the goods. It is reflected in improving the sphere of the marketing organization in the enterprise and the intensification of the market activities and creation of lasting relationships with customers [5]. It should be remembered that customer capital is important in managing the whole enterprise. First, the customer is the value for the enterprise. The customer value for the company is determined by flows generated by customers; the customer value is determined by what they bring into the organization [6]. In this context, it is important to create the value offered to a customer by the company, that is benefits in terms of products and services offered to customers in order to ensure their satisfaction and loyalty, and consequently sales revenues [7]. The process of customer's value creation consists of understanding and defining the value for customers, creating the value with regard to innovation and communication and delivery of the value.

Analyzing the topic of customer capital, it should be emphasized that customer orientation is becoming the most important factor in achieving the objectives of the organization. Contemporary struggle in the market is not only a fight about products, but mainly a fight about customers.

4. Informational value of relationships with commercial companies for representatives of the underwear industry in Podlaskie Voivodeship

Institutional customers are a special link in a production process as well as in distribution. They most often contribute to an enterprise's offer and provide important market information. The relationships with institutional customers are characterized by:

- close relationships between a supplier and a buyer,
- a large value of transactions,
- rapid flow of information,
- dependence of supplier's market success on the market situation of the customer.

Such strong correlations require special attention to the relationships created between the parties of the market exchange. In the case of underwear producers relationships with the individual links of trade are particularly important: wholesalers, shops, sales representatives.

The informative value of the relationship is particularly important. Since trading companies are directly linked with end-users of underwear – hence there is special importance to create lasting and based on the realization of mutually beneficial relationships. According to traders operating in the underwear market in the Podlaskie Voivodeship, contemporary market situation requires undertaking activities to strengthen them in the customers awareness to be remembered. It is particularly important that, in comparison with Polish producers of underwear, Western brands have already learned that - they are easier to identifiable and more displayed. The need for such activities are supported by the results of research conducted among institutional customers, which show the following [8]:

1. Focusing the attention only on developing the product in its physical form, in the face of intense promotional activities, puts companies in a hopeless situation.
2. Collections which stay in female customers' memory are the highest quality products, but the quality is more broadly understood: as a convenience, comfort of wearing, ease of operation.
3. Well-known brands in the assessment of female customers are beginning to be perceived increasingly not as a luxury product but as a mass, widely available one, which is an opportunity for local producers.
4. There are still some noticeable gaps in offerings of Polish and Western collections. The differences do not refer to product quality, but to the system of promotion. A large part of Polish female customers are not aware of the existence of so many high-quality underwear products.
5. Polish producers matter in the race for the customer, however, they exercise some caution – they do not have ideas characteristic only for

themselves – some market individuality, especially in the field of intensification of the promotion.

6. Apart from concentration on the product, a brand and effective promotional campaigns are important instruments in the fight for the customer.
7. The brand is not only an important component of the offer, a company's distinctive feature, but it constitutes an independent and integral part of the product. Its image also depends on the merchandising in the point of sale. This is connected with the knowledge of the female customers' needs. The cooperation between production and trade links is important in this area.

It should be emphasized that the implementation of information function in building relation capital is particularly important, since both links work for the same target markets. Underwear is a specific product. In the process of decision making about its purchase both emotional factors and functional features of the product are taken into consideration. Mutual cooperation of production and trade links, therefore building sustainable and lasting relationships based on emphasizing the information factor may contribute to meet the needs of target markets better.

5. Conclusions

The results of the research confirm that the exchange of information between trade and production links in the underwear industry may determine the effectiveness of companies' market offer in the underwear market. Since appropriate relationships with institutional customers decide about the effectiveness of the impact on target consumers. It is important to define certain standards of cooperation in the sphere of exchanging information and experiences. Such activities will determine a strong orientation on the needs of target markets, which are the main scope of the impact of both production and trade links. Such undertakings gain particular importance in so dynamic and demanding market as underwear market.

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NLP Techniques Integration in Negotiation

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Abstract

If communication exchanges represent an inherent reality in any negotiation, we must reflect on the manner of achieving it. Being aware of this reality causes the negotiator another concern, the one of communicating more effectively. If we optimize our communication abilities, we actually expand our opportunities to influence others and this can be considered manipulation, which always has negative connotations. But if 'not influencing is not possible', then the ethical dilemma that may arise from this situation has only solution: we accept this fact and we develop our skills in this direction, but only with integrity, in a responsible manner and respecting the world model of the parties who are involved in the negotiation process. One of the merits of NLP is to teach us how to reduce the gap between us and our interlocutors by quoting their words back to them, getting into rapport and pacing for information before leading into agreement.

Key words: active listening, NLP techniques, negotiation.

J.E.L. classification: M10.

1. Introduction

Being found in almost any application as a component of NLP, the vision of interpersonal communication is extremely important. Neuro-Linguistic Programming (NLP), a technique that was discovered in California (1976) by the linguist John Grinder and the programmer-mathematician Richard Bandler, is an effective method of communicating with those around us and of changing the human behaviour, whose principles are based on knowledge of programming, psychology, information theory and communication theory, based on

sensory modalities or submodalities which are nothing more than representation systems. NLP is based on the following hypothesis: each behaviour can be changed or learned. The aim of NLP is to reprogram the brain by adding it new potentials, this technique relying on interpersonal communication skills. Neuro-linguistic programming allows us, therefore, to correct unwanted behaviour, representing an effective tool in achieving an integrated, self-achieved, well-structured personality. Thus, NLP is presented as an authentic manner of using the brain, especially supporting personal development and learning ways to solve conflicts.

The NLP vision on communication reveals a totally different connotation, different from the simplistic one, often adopted by many of us, thus communication is an extremely complex and dynamic process, carried on multiple plans and channels, where all the protagonists are completely involved.

2. Building relationships: The pacing and leading techniques

When we decode the message to someone, we do it through the active filters at that time, the response to the listener's message being determined by our inner response in which we decode the message, in that moment, this being also dependent on the filters that we use. In fact, we don't answer to our partner's message, but to our internal images about it, that is what we understand. The same thing happens with the communication partner. The way the response or message turns back to our partners depends on our ability to set our filters in an expressive manner and this may not always coincide with our intention. Probably, everyone has experienced the situation of not being understood, of not expressing what one intended to, of receiving reactions or responses that have intrigued

him/her. Thus, communication is the answer I receive from the other.

This vision has several relevant consequences for the negotiator. For example, the negotiator could be held responsible for the reactions produced to the his/her business partners, rather than merely understand or categorize them. The negotiator should work on his/her speaking skills and he/she should be aware of his/her failures and he/she should find the adequate ways of solving these issues.

This statement emphasizes the need to consider the feedback received from the interlocutors. What really matters in communication is not my intention, but that the dialogue partner understands what I say. Otherwise, the phenomenon of parallel communication may occur, together with distorted and possible tensions at the relationship level. In all cases in which we work with people, it is absolutely necessary to consider this feedback, otherwise our effectiveness as conflicts negotiators will be much diminished. It is impossible to be effective in a communication relationship, regardless of the context in which it takes place, in the absence of consideration and use as a self-regulating information feedback communication partner sites. Another important feature is that the feedback we receive is not always relevant through verbal communication, most often this being indirect, implicit and poorly accomplished. For this reason, we need to learn and improve some specific skills, such as calibration or pacing.

Pacing and leading concepts are fundamental to any type of NLP intervention. In any communication, the existence of a relationship is vital, a relationship of empathic resonance between the two partners as basis of the mutual confidence which the other can feel free to manifest. We can say that establishing this rapport, this connection represents the starting point of any genuine communication, the only possible one. The existence of this relationship between two people or a group in which communication is carried out smoothly, as if by itself. Analyzing the spontaneous situations in which this arises, we can notice that partners resonate, harmonizing both nonverbal language, as well as the verbal one.

In the verbal message, the words contribute only by 7% to create this connection. Likewise, the lack of resonance at the verbal level can destroy this rapport only by 7%. However, body language and voice quality are of a much greater importance. When two people are in a resonance rapport, they tend to mirror and reflect each other in posture, gestures, eye contact and tone of voice, like a dance in which each partner responds to each other through their own movements. Their body languages are complementary in this situation. The closer and deeper the rapport, the stronger the trend mirroring, reflection and response. The emphatic rapport in clear statements can be achieved through awareness, dressing and using such skills, that we use naturally and with respect. This will build a bridge between us and his/her model of the world. Undertaking and reflecting mean harmonization. There are some typical situations to be avoided in the relationships we establish. First, the situation when the partner understands he/she is imitated. Usually, he/she interprets this behaviour as an insult and will react in one way or another. When the partner's nonverbal behaviour cannot be reflected without him/her noticing, using a mirror, it is recommended to mirror another part of the body, using the technique of cross mirroring reflection. The same is valid in two typical situations: when the partner's nonverbal behaviour is very broad, exaggerated or aggressive, or, when practising this coverage would make us feel uncomfortable. These two approaches are known as pacing and leading in NLP. Pacing builds a bridge between me and my partner's world and it is based on resonance and respect, and leading changes their behaviour so that the other person follows these changes.

NLP provides a model of interpersonal negotiation, by means of which, the parties involved in the conflict or dispute can be supported in reaching a mutually accepted result. For a successful negotiation, we should take into account the following steps:

- the situation and the subject of negotiation between the two partners are specified;
- the expected results by each party are presented;

- both parties are guided to find a common purpose or result, that is consented by both parties - for it is usually necessary to redefine the purposes and to place them at a higher level of generality;
- then the conditional conclusion of negotiations is used (conditional approval).

If there are objections, each of the negotiating partners should think of what he/she aims to get as a result of his/her complaint or what will happen if they fail to reach an agreement and expressing the consequences of not reaching an agreement. This solution will be used only if the parties do not cooperate in the negotiation.

This model offers some suggestions for the negotiator concerning the requirements that must be met early in the negotiation so that it can be successfully completed, by means of a win-win solution. Let's suppose that we are in a situation of negotiation between two people (A and B), where A proposes something to B and B raises an objection to A's proposal. It will also restate its objection to B, the basic condition to reach the conditioned agreement. Achieving conditioned agreement implies acceptance by B of A's proposal, provided to meet the objection raised by B. Satisfying these objections is often conditioned by their reformulation in order to become acceptable for both parties. In this way, the objections raised by partners are used in negotiating and reaching an agreement. The negotiator must take into account all the objections raised by the partners. If one of them refuses to consent, there are, probably, still certain objections that were not revealed.

Another useful and important technique to work with submodalities is the mental screen, which requires the customer to view a screen, on which his representations are projected. The idea of working on representations, controlling a screen image that runs in their minds includes the possibility to control representations, experiences and emotional states.

3. The skills of negotiating: The technique of questioning

The questioning technique is a specific communication skill which includes the ability to ask questions, listen to the answers, summarize (or relect back) and reframe what the interlocutor has said to ensure effective interaction. Asking questions has been recognized as a powerful method for stimulating learning, creativity and change. It has long been known that progress in any field of endeavour comes more from knowing what questions to ask than it does from the knowledge and data currently available. Answers are a matter of our current knowledge about 'what is', but questions are the product of imagination, and serve to stimulate imagination even further.

The field of NLP has been founded on the ability to ask questions. From this point of view, NLP is essentially an inquiry – a 'quest' to find the most ecological way to conduct a successful negotiation. According to Aristotle, "the types of questions we ask reflect the types of things we can know". Thus, different forms of questions reflect different levels of understanding. Open questions allow respondents to answer in any way that they wish. Closed questions make respondents choose from a limited choice of answers (which may be specific or implied by the question). By way of illustration, the following examples of both types (about negotiating authorization to attend professional gatherings) could be used by the employee during the initial stages of a negotiation to find out about the employer's reimbursement intentions. In each case there are two examples, one is a good use of the question type, the other a poor choice:

Open questions:

- e.g. *What is the company's policy regarding attendance at professional gatherings?* or *What is the organization's policy toward persons at my level attending various conferences and workshops?*
- e.g. *When/How will you reimburse me for all reasonable expenses and program costs?*

Closed questions:

- e.g. *Will I be given the time off and will I be reimbursed for all my expenses?* or *In the past I have been accustomed to receiving reimbursement for my occasional participation in a professional seminar or*

workshop. Will I be allowed to do so here? Will I also be given the time off?

e.g. *In addition to my membership in the Society for Human Resource Management, I need to retain my active membership status. Does the company support that effort by paying for my annual subscription to HR magazine?*

Open questions do not make any assumptions about the answers that may be given. This means that they should encourage respondents to say what they think and feel. The first question defines clearly what is being asked about (negotiating authorization to attend professional gatherings). It would be hard for the question to be misunderstood. That means that the respondent will give an answer that will help the interlocutor to know more about the company's policy, which is the purpose of the question. The second question is just too open (*When/How will you reimburse me for all reasonable expenses and program costs?*). If the employee got the answer 'Fairly soon', what would he be able to understand about the procedure for getting approval for such a compensation package? Not very much at all. That is why, we should always frame questions by thinking what it is we want to know.

Closed questions are those that only allow a limited set of answers. They are useful when there are only a limited number of possible answers or when we want to ensure clarity in what the respondent is saying. For example, the question

e.g. *Have you ever considered to allow me to attend the conference on company time and reimburse me for all expenses?*

assumes that only one of two answers is possible – 'Yes' or 'No'. Many closed questions are useful, because they provide clear, straightforward information that one can use to understand the other's experience. As a general rule, it is wisest to work from open to closed questions when exploring a topic. Open questions will help us to identify the broad details, whereas closed questions help us to confirm the details.

Not only can these questions lead us to find our interlocutor's answers, but they are a primary tool in NLP for eliciting experiences and gathering information about people's outcomes, representational system abilities, internal states, cognitive strategies, and their map of the world in general. Questions can

also be used to challenge people's limiting assumptions and lead them to a wider perspective. There are occasions when leading questions in negotiations can be useful in clarifying something that people have said, especially if they are reluctant to give a really clear answer. Leading questions are those that suggest what the answer may be. Here is one example:

e.g. *You have been offered all the benefits you asked for to allow you to work from home (a new computer, tuition refund, a four-day week), yet you still don't seem ready to make your contribution to our company's bottom line. Have you not found them very effective? (Is there something the organization can do to make the whole obligation more manageable?)*

This question is designed to overcome this reluctance, to admit to a possible failing. It suggests that the weakness lies not with the employee but with the assistance. Funnily enough, this is more likely to encourage people to admit to their own weakness. Asking directly – 'Why didn't you benefit from the advantages we offered you?' – points the finger at the employee and makes him defensive. Offering an opportunity to avoid responsibility often causes people to acknowledge their own weaknesses.

4. Active listening – Backtracking in practice

Reflecting back or backtracking is another technique that helps reinforce understanding. It is simply a case of summarizing what has been said by picking out the key points. It also gives the other person a chance to identify any misunderstandings. As well as encouraging active listening, while reflecting back we can correct any errors in a positive way, link together what the speaker has just said with something that has been discussed previously, and lead into the next area of development:

e.g. Director: *Ok Patrick, explain what you have just done.*

Manager: *I've compared the case for building our own warehouse with our current price of outsourcing distribution. I've looked at two main points – the cost and efficiency in*

delivering to our customers. We can break even on the investment in the warehouse in five years at the most. After that, we can expect to save costs on distribution. The warehouse will enable us to deliver faster and more efficiently to our customers.

Director: *That's right. Having done your research and compared the case for building our own warehouse, you looked at two main points: one, the cost; and two, efficiency in delivering. As we have seen, we'll break even on the investment in the warehouse in just five years. Then we can have the benefits of greater cost savings and greater efficiency in the future. Congratulations for your hard work.*

5. The technique of reframing

In NLP, the reframing technique is also one of the most profound and powerful ways to help a person shift perspectives and widen his or her map of the world. Reframing involves putting a new mental frame around the content of an experience or situation, expanding our perception of the situation so that it may be more wisely and resourcefully handled. If the person has got it wrong, or hasn't appreciated the importance of something, we need to think about *reframing* what was said. This can be thought of as 'reflection with a twist', and the twist is to change the emphasis or point of view of someone, or to correct an error:

e.g. Team member: *I collected the data by writing a questionnaire and asking all the members of the team to suggest alternative solutions to respond to our negotiating proposals. Nearly all the questions were closed so people could say what they really thought. I then grouped them into similar types to analyse them. I should have decided beforehand what they would say as that would have saved me a lot of time grouping the different answers.*

Team leader: *So Sarah, you used 'open' questions because that would let team members say what they really thought, rather than what you thought they would say?*

Team member: *Sorry, yes, open questions. Yes, I suppose that was better, not putting words in their mouth.*

The team leader corrected the team member by emphasizing the correct name for the questions she used and also turned her negative comments into a positive. This is a far less confrontational way of correcting someone. It emphasises the positives of what Sarah said and changes the negatives. This will encourage Sarah to remember both the right name for the question type and also that what she had done may have been time-consuming but it did lead to better results.

6. Building rapport

Negotiating is based on building *rapport*. Rapport is fundamental to a successful negotiating relationship. The people we are negotiating with must trust us if they are to learn effectively and to rely on our guidance and advice. Rapport is about the confidence that people have in each other, leading them to be open about their fears and feelings and to rely on others for support. It is an elusive concept. It is easier to recognise than to describe. We can see rapport when two or more people have been cooperating with each other for a long time and are able to communicate together effortlessly. NLP suggests a few ways that negotiators need in order to be able to build trust and, hence, rapport:

- asking questions (and doing so in a way that demonstrates a clear interest in other people and what they can do);
- listening actively (to understand their answers to our questions);
- reflecting back and reframing their answers (to show we are listening and to emphasise the positives)
- recognizing their emotional states (and using this to improve communication);
- behaving in ways that will earn their trust (and also show we trust them).

7. Conclusions

We do not have to work with someone for years to establish this kind of rapport, but we can achieve a rapport with someone in far less time if we follow the above principles. In this paper I have pulled together the

strategies and techniques we need to be effective as negotiators. I have seen that, as an emerging discipline, NLP brings about self-development and change, enabling certain key verbal cues – visual, auditory, kinesthetic patterns.

Paying attention to the language patterns used in a negotiation situation, the interlocutors engage themselves in a reciprocal matching-pacing-leading process. One way of checking on the understanding of the other person's map is by means of open questions and the technique of backtracking. For this I have seen how to use different types of questions to achieve different things and that questioning is no use without active listening.

Whatever NLP techniques we apply, these are neutral in terms of value and respond to ecological criteria, how they are used being strictly determined by the negotiator's own abilities and intentions. In fact, only by being extremely responsible, aware, only by featuring serious communication skills and

people to improve effective communication methods. When people interact and establish rapport, there is frequently a matching of

by influencing the others, can we achieve full acceptance by the parties, considering their values, their filters, their lives.

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E-Commerce in Romania: Significant Growth in 2012

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Abstract

This paper aims to highlight the evolution of e-commerce in Romania between 2008 – fourth quarter 2011.

Were processed, analyzed and interpreted data on the number of electronic stores and online transaction volume in this period.

Also, based on these data was made an estimate of the evolution of electronic commerce in Romania for 2012, expecting a significant expansion of the phenomenon.

Key words: information technologies, transactions, society, e-commerce.

J.E.L. classification: L81.

1. Introduction

The term e-commerce tends to mean different things to different people, but have stressed from the beginning that not only refers to selling products through a shop located in the web space.

Electronic commerce is a dynamic set of technologies, applications and business processes that unite organizations, customers, suppliers through electronic transactions, electronic exchange of information, goods and services. Best definition for an introduction to this field is given by the American Automotive Industry Action Group company, "Electronic commerce is the use of advanced information technologies to increase business efficiency and business relations between the partners."

In electronic trade information is processed using electronic equipment for carrying out economic activities, but with the same framework based on commercial standards and practices known. This mix of business strategies and information technology is considered to be an expression of the future economy.

Unprecedented development in the last two decades due to the need for information technology storage and rapid transmission of information with the lowest costs revolutionized global trade.

Today, the term Electronic Commerce has become synonymous with profit growth. Electronic commerce (E - Commerce), the Economic Cooperation Organization design and Development (OECD) is conducting business via the Internet, selling goods and services taking place offline or online.

Electronic commerce consists in running a business, the value generating activity, with the support the Internet and use of specific software packages.

Electronic commerce is the key enterprises' competitiveness in the Information Age, providing:

- access to new market segments (new customers);
- increase speed of the business
- greater flexibility of trade policies;
- reduce supply costs, sales, advertising, etc.;
- simplification of procedures.

Main segments of electronic commerce include:

Banking operations. A percentage of 85-90% of banking is done electronically. Banks are expected carry out these operations through the Internet to reduce costs with a substantial share. Examples of such

operations are:

- Electronic banking (Electronic Banking) - transfer of funds statements account, "self-service" customers (stopping of payments, checks, etc..) banking operations that can be

made from home (so-called "home-banking");

- Electronic Bill Presentment and Payment;
- Electronic Investment - brokerage, information and market analysis tools;
- Electronic Insurance;
- Supply Chain Management - billing electronic special accounts;
- other services in the card of debit / credit smart cards. Examples of successful sites are: Wells Fargo, NationsBank, American Express, Bank of America, Citicorp.

Retail, Internet shopping offers the possibility of making a manner with a highly customizable, allowing sellers to know and to better understand customers. Amazon.com allows Internet users to search and order any credit cards selection is made, realizing payment by credit card.

Thanks to the Internet, retailers can be connected electronically with their suppliers for better exchange of information, shortening the control and distribution. At the same time, they have access to international market outlets, without having a physical office in a certain place.

The most successful sites are: Amazon.com, CDNow, Kmart, Barnes & Noble, Walmart, Victoria's Secret.

In tourism, conducting business via the Internet has the advantage of eliminating intermediaries.

Airlines or hotels that allow customers to make reservations online and have significantly reduced costs. For example, you mentioned: TravelWeb, Travelocity, Ticketmaster Online or RoTravel on Romania.

Securities exchanges. This area is growing, for example company website can remember Schwab, which are traded weekly titles worth over \$ 4 billion, and from over 5 million customers, 2 million as investors active via the web. Other successful sites are:

E-Trade, Discover Brokerage, Ameritrade.

Production activities in this field will exist because of the Internet, many more possibilities. A commonly cited example is Boeing, which created an international network for the design of the 777. Japanese engineers have worked so portions of the wings or fuselage through electronic links across the Pacific provided by The Internet. The entire project was done with computers, without any bit of paper.

E-commerce business-to-business will improve procurement, inventory control, production activities, distribution and payment, using for this specific back-office applications using the Internet to enable better management of orders, an appointment the supply and distribution. Samsung Electronics, Fruit of the Loom, General Electric, Toshiba are just some of the reference sites in this the field. Everything here can be framed and manufacturing companies in information technology like Microsoft, Oracle, Intel, Apple, Dell, Compaq, firms were among the first who adopted the new type of economy-the Internet.

2. Electronic commerce in Romania, 2008-2011

According Traffic.ro gauge, which can be considered relevant in measuring the activity online stores in Romania, can appreciate a spectacular evolution in the number of stores compared to the size of the Internet market in Romania, during 2008-2011. Trend is observed regarding the evolution of the electronic stores in Romania, it be modified is an average of about 252 stores. Thus, if in 2008, in Romania there were 2215 stores, in 2011 the number had risen to 3354, indicating an increase of almost 46% or it. From 2008 to 2010, the number of electronic stores in Romania increased, but to a lesser extent (is by 0.7%), reaching a total of 2277 electronic stores. Instead of 2011 in semester 3 already touched 3354 online stores.

Table 1. The evolution of e-commerce stores in the period 2008-2011

Year	e-commerce	Evolution
	Number of Shop	
2008 quarter 3	2215	
2009 quarter 3	2277	+ 0.7 %
2010 quarter 3	2390	+ 5 %
2011 quarter 3	3354	+ 40,3 %

Source: <http://netindex.traffic.ro/luna/comert-electronic>

According to statistics RomCard, areas that generate the largest volumes in Romanian electronic commerce are: travel services and reservations for airline tickets, mobile bills and IT & C products, electronics and appliances.

The same source reveals that 2008 ended with about 60 million online credit card processing system 3D Secure but still, this represents only 5% of the total payments made in Romanian online stores. Note that RomCard cannot provide statistics only for traders enrolled in 3D Secure, currently number 187. It is not known but the exact number of Romanian traders who process through a process not configure external and 3D Secure.

In 2009, electronic commerce exceeds 75% in 2008 reaching 92.8 million euros value, with a total of 1,246,130 transactions, twice the number recorded last year. Note dramatic differences in terms of transaction volumes in quarters 2 (increase of 11,311,907 euros), 3 (increase of 12,975,579 euro) and 4 (increase of 10,633,805 euros) in 2009 compared with 2008.

In 2010, as in previous years, the products sold online have the same tendency: telecom sector had accounted for 45% of transactions processed by Avangate, followed by tourism with 38%, services 10% and 7 eTail %.

3. Analysis of electronic commerce in the last quarter of 2011. Forecast for 2012

In the first nine months of 2011, e-commerce online payment recorded a volume of 121.4 million euros, up by 11% over the same period last year, according Romcard. ePayment processed 89% of online

payments, that is 106.7 million euros, up 13% over the same period of 2010, according to a release of ePayment.

Although 2011 is a year marked by economic instability, e-commerce industry has maintained double-digit growth rate and remains a growing market. I refer primarily to the interest of such companies are turning to a new channel for sales and promotion, and to increase competition in the industry, especially from banks that now looks much more interested in developing and promoting this segment, which can not only be beneficial to industry.

Another positive trend in e-commerce industry is diversifying the shopping cart, a phenomenon evidenced by the increase recorded by certain categories of products. Thus, according to Romcard, segments of online stores that sell flowers, cards and gifts increased by 75%, 76% and 64% and significant increases were recorded also on other product categories such as toys (56 %) and clothing (24%), increasing average basket value, also reaching 21% and 69 euros.

The evolution of these segments indicates that the Romans are increasingly shopping online payment of various common and increasing the number of online stores determine the development of electronic commerce industry, bringing new customers and stimulate adoption of online payments. Therefore, priority will continue to be Romcard continuous improvement of services for processing, 3D Secure standard promotion and encouragement of buyers in the direction of activation cards to continue to enjoy all the full payment environment.

Romcard, and ePayment mid confirm estimates on the end, according to which e-commerce online payment market will exceed 160 million euros.

Also, according to estimates, 2012 will see a new growth market, especially due to products, services and actions to promote us, which will attract online customers.

Besides the positive evolution of the Romanian electronic commerce for ePayment, 2011 remains a reference year, marked the company's expansion in Europe by exporting technology and doubling the number of employees. Next time will definitely be very interesting because, if ever, talked online payments by card and

overwhelming market share cash payment, we will see change in this report both through the development of several payment options for buyers and by adding their loyalty programs.

ePayment is integrated eCommerce solutions provider, part of PayU International, owned by Naspers Ltd, the second player in global ecommerce.

PayU online payment integration has operations in Poland, Czech Republic, Romania and Hungary, generating 31 million transactions in 2010 worth 800 million euros.

In Romania, is the leading ePayment online payments with over 2 million transactions processed in 2010 worth 121 million euros and a 90% share of total Romcard.

The company develops integrated online payment solution ePayment for companies that own or want to open an online business in Romania or in countries where the group operates PayU.

Predicting the evolution of electronic commerce in the period 2011 Q4 -2012 was based on existing data in the paper, using the TREND function in Excel. In order to estimate the value of online transactions for the next years, the trend calculated by quarters.

Table 2. Estimation of transactions (EUR) per quarter from 2010 to 2012

Traded volume (euro)	2010	2011	2012
quarter 1	66.345.464	88.075.479	92.324.546
quarter 2	65.716.232.5	89.253.317	98.546.321
quarter 3	66.352.602.5	90.114.755	108.152.879
quarter 4	78.071.909.75	90.705.459	124.962.542

Source: Made by authors

You see an upward trend in trade volume electronic transactions, until 2012, when it recorded a value of 423,986,288 million euros. Based on data presented, it is clear that the volume of online transactions will grow from approximately 65 million (in 2010) to 423,986,288 euros (in 2012). It is estimated steady growth of

electronic commerce transactions, therefore a development of electronic commerce in Romania. If by 2006 there may be no reference to a true e-commerce development, since 2008 one can see a real expansion, revolution phenomenon. In terms of evolution of the number of e-commerce stores, you can appreciate that for 2010 projected a decrease in e-commerce stores with 9%. For years following an upward trend is observed, the increase being 12%, 11%.

Table 3. The evolution of stores in e-commerce

Year	E-commerce	Evolution
	Number of shops	
2009	2277	
2010	2059	- 9 %
2011	2314	+ 12%
2012	2568	+ 11%

Source: Made by authors

Growth and development of electronic commerce will lead to a number of significant changes in the economy. IT revolution has had a major impact in the global economy, bringing that transparency for economic development. Electronic commerce has made improvements of the Relevant in wealth, the mass production economy, after the second world war, so far. Consumers today can make better decisions, obtain more diversified products and services, many of them non-existent before the advent of the Internet.

4. Conclusions

Electronic commerce is not a concept that, to refer to use the future tense, it is a present reality in everyday life.

Advantage of the electronic commerce is reflected in two important resources of the current economy: information and time. These two resources cannot be considered separately, because not only the quality of information it provides is an asset in electronic commerce, but also much shorter time to obtain them.

It should be emphasized, however, that modern technology cannot replace strategy, working demonstrated by the recent crisis

dot.com sites, which could provide powerful and rapid evolution of the phenomenon and which are now placed in a position to review the whole strategy by finding solutions that best fit the whole their work.

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The Employment of People with Disabilities in the Labor Market

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Abstract

The access for people with disabilities in the labor market is a challenge and a necessity for most countries, especially with today's general line of national economies to reduce the cost of social services. This can be achieved if national policies will allocate more money for job accessibility, more careful supervision of enterprises with more than 50 employees, but not one people with disabilities and of the protected units that must protect the interests of this population.

Key words: disabilities, protected units, sheltered employment.

J.E.L. classification: J64, J71.

1. Introduction

The definition of disability suffers more connotations, depending on the country that defines it. Thus, some countries such as Luxembourg, consider the disabled as people touched by disability caused by war or by an accident so as people affected by physical, mental or sensory. These definitions focused on reduced capacities of individuals are often accompanied by a minimum threshold of disability, to be recognized as disabled workers. This threshold is 33% in Spain, 40% in Greece and 50% in Germany. States that have chosen this kind of definition are generally those that adopt a statist policy against discrimination. Other countries, like Sweden and most Anglo-Saxon countries, associated disability of the person with the environment. This definition takes into account the recommendation of the OM of Health, which moves the disability from person to the environment.

The handicap is the social disadvantage resulting from the loss or limitation of a person's opportunity - a result of the existence of an impairment or disability

(disability) - to take part in community life at a level equivalent to other members.

Disability (inability) summarizes a number of functional limitations that can be found in any population of any country in the world.(5)

The handicap describes the interaction between disabled people and the environment. The sense of this term (Standard Rules, 1993) is to focus on disturbances in the environment and the actions of an organized society, such as information, communication and education that prevent people with disabilities to participate on equal terms.

In 2005 in Romania, NAPH has developed a national strategy for protection, integration and social inclusion of persons with disabilities for 2006-2013 "Equal opportunities for people with disabilities - towards a society without discrimination". This strategy aims to shift from a passive policy, creating opportunities for the development of active type policies (notably to increase coverage of people with disabilities with educational and training services). In December 2006 was promulgated the law 448/2006 on the protection and promotion of disabled persons, which is in agreement with the European documents. One way a person can integrate in society is through employment or labor market participation. Low level of employment of persons with disabilities is recognized both at national and European level (Commission of the European Communities, 2007).

Current legislation (Law 448/2006) provides measures to encourage employment of people with disabilities by establishing a rate of 4% for firms with fewer than 50 employees, tax incentives and protected forms of employment (sheltered workshops, protected units) which also benefit from tax breaks.(3)

Table 1 The percentage of persons with disabilities, by age, 31 of December 2010

The percentage of persons with disabilities, by age, 31 of December 2010	
age	[%]
0-4 years	2,02
5-9 years	2,58
10-14 years	2,66
15-17 years	1,63
18-19 years	1,38
20-24 years	4,67
25-29 years	4,33
30-34 years	5,28
35-39 years	5,37
40-44 years	6,03
45-49 years	4,90
50-54 years	8,00
55-59 years	10,14
60-64 years	9,21
65-69 years	7,58
70-74 years	8,65
75-79 years	7,39
80-84 years	5,06
85 and more	3,12

Source: the General Directorates for Social Assistance and Child Protection at the country level and at the local level for the districts of Bucharest

2. The case of young people with disabilities and employment

The link between education and disability can be seen from two perspectives. On one hand, education may have an influence on disability installation. Thus, persons who have acquired higher levels of education had more chances to work in occupations with lower risks of accidents or diseases and safer work environments. In addition, education affects income levels and thus the access to care and recovery which can eliminate or limit the effect of illness or accidents. Also, education and income level can have an impact on lifestyle and therefore a lower risk of certain chronic diseases. On the other hand, people with disabilities can have a more difficult access to education and therefore a greater number of them would

have a lower education level. A previous study that analyzed data from the Labor Force Surveys 2002 and 2004 shows that in all EU Member States, including Romania, the level of education tends to be much lower as disability is more severe. In addition, people with severe disabilities from birth have an obvious disadvantage in the schooling level, reflecting less access to education. For Romania, this disadvantage also extends to those who have a moderate disability but acquired at birth. The education level is lower, the probability of having a job is smaller.

Knowing the exact number of young people with disabilities is very difficult. Most countries don't have accurate data for young people between 18 and 25 years. In Ireland in 2006 were about 393,785 disabled, of which 8.7% were young people between 20 and 29 years (according to census). In 2007 In Norway, 11% of the population between 20 and 35, had a disability (Statistics Norway, 2009). Czech Republic, all according to the census of 2007, approximately 1 million people were disabled, which is 10% of the population (Ministry of Education, 2007), about 60,621 people (5.9%) were aged between 15 and 29 years. In 2006, United States included, approximately 41,259,809 people with disabilities of which 1,501,184 were aged 16-20 years that is 3.6% of the disabled population.

The data recorded in those countries on the use of the young people with disabilities in the labor market are very imprecise; access to work is more difficult than the general population. In Ireland, the economic growth could not prevent the failure of jobs for people with disabilities so it experienced a decrease of 3% between 2002 and 2004, especially for the visually impaired.

In Norway, the share of jobs for disabled people was almost the same as for the other people, among others, holders of diplomas posts in tertiary education decreased by 10% between 2005 and 2008, even if the rest of the population increased by 7% over the same period (Statistics Norway, 2007). The only country, Czech Republic, has increased the number of people with disabilities in employment, even if the entire population, jobs and unemployment stagnated.

The difficulty of access the employment is higher for older disabled people. For example, in France, the number of requests for working of the disabled people, younger than 25 years decreased by 19% between 2003 and 2006 to 3.9% for those above 25 years. The access for young people with disabilities to university education is considerably improved over the last decade. The policy "School for All" has created equal opportunities for students with disabilities. Countries have begun to develop specific transition policies and integrate them in education.

Optimizing the transition to job involves:

- initiatives taken to optimize the role of school education for children with problems in the labor market,
- developing links between educational institutions and economic stakeholders to better recruit the workforce,
- work more closely with employment placement agencies for people with disabilities.

For a better integration of the youths with disabilities, some have developed special programs dedicated their professional insertion. In Ireland, for example, the WAM (Willing Able Mentoring) created by AHEAD (Association of Higher Education Access and Disability) and co financed by the European EQUAL program, has allowed 47 degrees of youth with disabilities in the labor market.

So Sweden has developed a program that benefited 118 students, 61% of them finding work, Germany by urban planning and support for students through counseling, their determination, will and financial support to graduate (Deutsches Studentare werk, 2008), U.S., Federal Work Study program (FWS) provides part-time jobs for students during their studies.

The program Professional Workforce Recruitment for College Students with Disabilities (WRP) allows employers to interview about 1,500 students with disabilities annually seeking work during the summer or graduation, making a profile of candidates from more than 200 secondary schools. Almost 4,500 students have benefited from this program since its inception in 1995.

In Romania, over 90% of those who have a disability and have completed more than 10 classes have a job. For those with higher education, this percentage drops to 40%. Unfortunately, even the educational system in Romania creates major disadvantages for people with disabilities. The incidence of non-schooling is seven times higher in people with disabilities to the general population. Early drop is two times higher for people with disabilities. Most disadvantaged group in terms of access to education is composed of persons with physical disabilities, serious somatic or visual, acquired by birth and who live in rural areas. They are more likely to never go to school. The access of people with disabilities in regular education, although regulated by law, it is difficult, having in most cases the refusal of the Director or teachers to get children with disabilities in school. On the other hand, the quality of education in segregated schools or home education is seen as weaker. Therefore, integrated education of disabled persons has a long way to be found even in practice. Statistics show that there are three categories of persons with disabilities,: the first category is formed by those at the bottom, which remain without education or only primary education. Then there are those who do the same as the general population, at the middle school / vocational school. And a minority of about 10% manages to reach the university level, surprisingly close to the general population (not necessarily with mild disabilities).

3. Employability of people with disabilities

The most common system of hiring people with disabilities is the form of quota. This is an obligation imposed both to employers from the public and the private sector, especially for those who have over a certain number of employees.

The Access for Work Program pays financial assistance grants. This is the only program that provides economic assistance directly to enterprises. Other aids are designed to reduce social spending, with the formation and for students with disabilities.

In developing countries, between 80 and 90% of people with disabilities don't have a job, while in developed countries, the situation is slightly better, 50-70% of people with disabilities of working age, don't have a job.(International Disability Rights Monitor, 2004).

In Romania the quota system was introduced by Law nr.57/1992 that requires employers with over 250 employees to have at least 3% disabled staff. If not, the sanction was the gross national minimum wage multiplied by the number of unfilled jobs.

Subsequent law changes have expanded the scope including companies with over 100 employees, then more than 50 employees. Also, the percentage of employees with disabilities increased to 4%, but dropped the sanctions, now being 50% of gross national minimum wage multiplied by the number of unfilled jobs.

Table 2 Employment of persons with disabilities

Year	Persons with disabilities between 15-64 years	Persons with disabilities which are employed	The percentage of persons with disabilities which are employed
1998	367.027	9.485	2,6%
1999	365.029	8.574	2,3%
2000	361.240	8.880	2,5%
2001	284.772	12.531	4,4%
2002	285.731	12.710	4,4%
2003	281.557	9.640	3,4%
2004	277.731	11.782	4,2%
2005	294.794	13.684	4,6%
2006	312.510	16.225	5,2%
2007	353.759	21.906	6,2%
2008	385.648	25.705	6,7%

Source: ANPH, 2008.

4. Employment opportunities for people with disabilities

4.1. Work at home

Persons with disabilities who wish to receive an income and cannot move to a job (for whatever reason), can have a job at

home. They are legally employed by a company but the duties they have can be fulfilled at home. Thus, the road inaccessibility from home to work is exceeded, as well as the inaccessibility of the workplace. Another advantage enjoyed by those working at home is related to the work program. According to legislation, this is determined by the employee. Only the owner reserves the right to check its activity, as determined by the individual employment contract.

- The document ends only in writing and includes the following: to be explicit about the employer's working at home.
- The program under which the employer is entitled to control employee's activity and the practical way of achieving control. In general, the verification is done during the 8 hours.
- The employer's obligation to provide transport to and from the home of the employee, the transport for raw materials and the materials he uses in his activity and for the finished products.

Working at home employees enjoy all rights recognized by law and collective agreements, such as the right to remuneration for work, the right to weekly rest, the right to annual leave paid, the right to information and consultation, the right to participate in collective action, the right to form or join a union (Labor Code).

4.2. Authorized Person

If a disabled person does not want to be hired by an employer (private or state), he can opt for the status of authorized individuals. In order to be an authorized person a person with disabilities must be registered at the Hall, according to Law 300/2004 and Norms.

4.3. Protected sites and labor units

The supply and demand of jobs for such people are distinguished by several features:

- First, the costs increase as there is no suitable means of transport or there are required additional medical care;
- Secondly, many of the people with disabilities have a lower level of education or training;

- Thirdly, these people need jobs with flexible program, because they need additional time for personal care, therapy or medical examination.
- Fourth, these people are sometimes reluctant to enter the workforce due to social benefits that they will not receive if they have a job (Council on Disability, 2007).

Jobs for disabled people - sheltered employment - fell significantly. The legal framework adopted in 1999 focuses mainly on encouraging employment for disabled people and less on the creation of protected productive structures to provide people with special needs the chance to increase their quality of life through employment and not to remain beneficiaries of passive social policies. In 2004, only 999 disabled people were employed in 42 disabled units approved by NAPH protected. As a result, most people with disabilities tend to become dependent on passive strategies of support and help with the effect of rapid increase in risk of poverty.

In 2003 figures showed that only 12,983 people with disabilities were employed: of which approximately 70.7% belonged to the category of persons with severe disabilities. A certain neglect of the means of creating jobs for different types of disability that can be partially compensated by supporting public campaigns to increase employment rates among people with disabilities in order to promote equal rights, is responsible for the passivity of this category of population. (JIM)

In 2000, in the EU protected working units were about 500,000 people with disabilities but there are significant differences between countries regarding the employment on the open market vs. protected units. Sweden and France have chosen rather to subsidize the employment of people with disabilities; the Netherlands and Poland are countries that have developed particularly segregated employment programs, protected units employing about 1% of the total working age population. Norway is the only country where the transition rate is significant - over 30%. Ireland, where the protected units are an important form of employment the number of beneficiaries and the amounts allocated from public funds, have made efforts to improve the transition rate by imposing a maximum period a person can

work in a protected unit and to put more emphasis on training component.

Similarly, the Netherlands, it has been encouraged the establishment of protected places in ordinary companies. Even so, the rate of transition to open labor market remains under 10% in Ireland and less than 4% in the Netherlands.

In 2010, in Romania there were about 400 units protected. However the number of disabled people working in protected units is very small.

Thus only 1% of employees with disabilities are working in protected units, the rest being employed in the open labor market. The protected unit has poorly developed in Romania, being absent the financial facilities to compensate for any loss of competitiveness. In Romania, the employment rate of disabled people is significantly lower than the general population. Only 12.7% of disabled people aged 18-55 years have a job, while the employment rate in the general population sample of the same age is 70%.

In recent years, a positive dynamics is observed in the employment rate of disabled people. It has doubled in the period 2003-2009, and the number of people with disabilities who have jobs increased 3 times. Currently the number of disabled employees is about 29,000 in total, including people working in small firms under 50 employees and in sheltered workshops. If we consider that all these people would be employed in the system of quota, which is not untrue, it would appear an employment rate of seats reserved for system rate of 15%, still well below other countries with system share.

5. Conclusions

Europe as a whole cannot afford to allow this inequality to continue. Therefore it is essential for the future prosperity of Europe to ensure that anyone who wants to work receives equal opportunity to access the labor market (EN 2007/IB/OT-02TL Twinning Contract). EU believes that people with disabilities should enjoy the same rights as all citizens of Europe to participate as fully in society. This includes, of course, right to work. It is known fact that in Romania employing a disabled person is difficult. Protected units in Romania are far from

enough. Financial facilities provided to potential employers and the order to pay a certain fee to the state if they do not hire people with disabilities are not sufficient. Employers prefer to pay the fee; therefore the results of these regulations are not satisfactory. Looking at the employment of people with disabilities from the perspective of employers we can see positive attitude towards the principle of the labor market integration, but a little more reticent regarding their employment. The reasons given by employers in Romania do not differ essentially from the arguments of the employers in other countries. They are concerned with the low productivity of people with disabilities, the need of supervision, increased absences caused by medical problems and costs imposed by adapting the workplace. The studies in the United States based on surveys among employers showed no differences between workers with disabilities and the others in the performance at work, presence and safety.

CAE databases comprise a very small number of unemployed people with disabilities, and businesses have turned more to NGOs and the publication of advertisements in DGASPC sites. Other employers mentioned the difficulty of finding people with disabilities who have been trained for available jobs.

This information makes us understand that there is a problem of adapting the demand for labor to the already existing one, caused by the low efficiency of labor mediation services for people with disabilities and the low level of their education. Another issue that employers need to adapt is the workplace. Both the European and national legislation provide that the employer must ensure reasonable accommodation to facilitate the right to work of persons with disabilities. This implies the possibility of changing working hours, purchase of equipment, devices and assistive technologies, changing desktop and other similar measures. Some interviewed employers said they were dissatisfied that the whole cost of these adjustments must be borne by them. The adaptations of physical environment and equipment suffer a lack of such service providers. Due to low demand and lack of expertise in assessment, prescription and

implementation of such adaptations, this market is almost nonexistent. In part, these services are offered by NGOs. People with disabilities know that employers have some facilities when employing disabled people, but still argue that when such a person wishes to engage is often rejected.

Over the last few years, Romania has embarked on an ambitious policy to assist persons with disabilities. An initial work program aimed to restructure the residential areas where people with disabilities live and looking for alternative solutions for implementation by developing services that allows greater participation in community life. With the formulation of National Strategy 2006-2013, Romania takes part in a new phase which aims to a better integration of people with disabilities and their greater access to job offers.

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